

Nation's Business

A MAGAZINE FOR BUSINESSMEN

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APRIL 1955



Boating booms to biggest U.S. sport **PAGE 40**

Inside Red China: an Air Force survey **PAGE 25**

You're losing \$86,600,000 a week **PAGE 32**

Natural gas—here are the issues **PAGE 37**

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25TH ANNIVERSARY YEAR!



COMPLETE TELEPHONE SERVICE. This "general store" displays some of the many kinds of equipment to meet different telephone needs. The exhibit shows the advantages of complete telephone service for home and business. Another new feature is the *Airtight* Outdoor booth.

A Year of Progress and of New Things in Telephone Service

Some interesting highlights from the 1954 Annual Report of A. T. & T.

To meet the increasing communications needs of the public, business and the nation, the Bell System spent \$1.4 billion for new and improved facilities in 1954.

1,967,000 telephones were added, compared with 1,900,000 in 1953. Long Distance calling set new records.

A million more telephones were changed to dial. Eighty-four per cent of all Bell telephones are now dial-operated.

Operators now dial more than half of all Long Distance calls straight through to the distant number. People in a number of places can also dial many of their distant calls.

The average time for completing out-

of-town calls dropped to 1.4 minutes, and 97 out of every 100 calls went through while the calling party stayed on the line. By these and other measures service was the best on record.

We started work on the first undersea voice cable to Europe, equipped our main TV network routes to carry color programs and invented a device to convert sunlight directly into electricity.

The Western Electric Company and Bell Telephone Laboratories, our manufacturing and research organizations, undertook major new defense assignments at the Government's request.

The prospect ahead is for another busy year, and for even greater progress



toward meeting and anticipating the wants of telephone users.

We'll be glad to send you a copy of the Annual Report . . . American Telephone and Telegraph Company, 195 Broadway, New York 7, N. Y. EXchange 3-9800, Extension 2151.

S. Whitlow Landon, Secretary
American Telephone and Telegraph Company
195 Broadway, New York 7, N. Y.

Please send me a copy of the
1954 A. T. & T. Annual Report.

Name _____
Address _____

N

"It looks as though our sales and net profit will just about double!"



L. C. FRENCH, Manager
Caswell Manufacturing Co., Cherokee, Iowa

George S. May business engineering solves problems for plant and office... Since 1925, the George S. May Company office has brought the latest money-making methods to over 36,000 clients in over 3,000 different kinds of business. May engineers, with their fresh point of view and their tremendous accumulation of background and experience, can examine any kind of business in the world and develop a fresh approach to increased net profit.



The main product of this specialized farm implement dealer is a hydraulic tractor loader with five attachments. The May Company was called in to set up an accounting system, an entirely new office routine, inventory controls and production controls. The aggressive young management of this company, headed up by 31-year old L. C. French, reduced employees from 24 to 17 and increased the sales force to 9 salesmen as a result of May engineering. Sales territories were expanded and business operations were considerably increased in new and old territories.



Faster welding due to MAY scheduling

MAY inventory control guides production

Have our representative
call on you without cost or obligation



HYDRAULIC LOADERS
BULLDOZER BLADES
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CASWELL MANUFACTURING COMPANY

MANUFACTURERS OF
TIME AND LABOR SAVING FARM MACHINERY
TRACTOR ATTACHMENTS AND ACCESSORIES

CATTLE CORNERS
HOB DILERS
WAGON WHEELS
HYDRAULIC PUMPS

CHEROKEE, IOWA
August 27, 1954

George S. May Company
Engineering Building
205 West Market Drive
Chicago, Illinois

Gentlemen:

This company, which was founded in 1901, holds the original design patents on a hydraulic tractor loader. Since 1939, we have made and sold thousands of these multi-duty farm implements, together with their many attachments.

When we completed the building at our new plant last November, we decided it was time to call in outside help on our methods and procedures. One of your representatives happened to call on us, so we gave him the order for a survey. When your engineers completed the survey, we gave them the go-ahead for the following projects:

1. A simplified accounting procedure, together with a refinement of office methods.
2. An inventory control that would keep our many parts and sub-assemblies from getting out of hand.
3. A production control that would speedily scheduling through our relatively small and complex shop.

I believe that on the one evening at very close to machine efficiency. On 1953 sales of \$225,114 we had a net profit of \$18,208, or 8.1%. For the first six months of 1954, our sales were \$209,519 on which we had a net profit of \$36,950, or 17.6%. In other words, it looks as though our sales and net profit will each about double.

What part of this very bright picture is due to George S. May business engineering work? A good share. You brought us specific methods and tools to reduce time and increase output. You made us extremely conscious of net profit as a principal objective. You helped us streamline our thinking and do away with old-fashioned and outworn ways of doing things.

A small manufacturing company can learn a lot from you.

Yours very truly,
L. C. French
CASWELL MANUFACTURING COMPANY
L. C. French, Manager

George S. May Company

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NEW YORK 17, 122 East 42nd Street
Oxford 7-3900
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UNiversity 6-9152

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Cover photograph, City Island, New York, by Charles E. Rothin

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G. E. HAS THE ANSWER TO AIR CONDITIONING PROBLEMS IN ANY OFFICE, STORE OR FACTORY



18 G-E Packaged Air Conditioners, ranging in size from 5 to 15 tons, keep workers comfortably cool in this busy factory.

G-E Packaged Units help shirt factory solve unique air conditioning problem

At the L & H Shirt Company, Cochran, Ga., congestion of work areas and the heat produced by steam equipment made air conditioning a top-priority need. But when engineers surveyed the situation, they came across a problem unique to the textile industry: lint. It clogs air conditioners' filters in a day's time. The solution proposed was simple and effective—place sheet metal frames holding filters in front of the G-E Packaged Air Conditioners. The filters can then be easily vacuum-cleaned.

IT PAYS TO HAVE "PLANNED" AIR CONDITIONING! No two businesses are alike! That's why it's so important that air conditioning be "tailored" to your specific plant or office conditions. Trained experts

will make a careful climate survey of your own building, and recommend an installation that will not only give you low-cost, dependable air conditioning now, but can be readily added to when future expansions are planned.

NOW'S THE TIME to air condition! Your G-E dealer can give you G-E air conditioning at very favorable prices, and you can have up to 36 months to complete payments. Summer heat and humidity are only a few short weeks away—be ready for them with new G-E conditioners. Get full information today—call the G-E dealer listed in your classified phone book, or write General Electric Company, Commercial & Industrial Air Conditioning Department, Bloomfield, N. J.

IT TAKES BOTH FOR EFFICIENT, LOW-COST AIR CONDITIONING



1 Proper installation by G-E trained contractors. Here Mr. Ben Schwedel (right) of L & H Shirt Company discusses installation with Mr. Harry Torch of Aaron Torch & Sons, dealers for Thompson Co., G-E's Georgia distributor.



2 The best in packaged air conditioners. G-E designed and built • Easily directed air-flow for no-waste, no-draft circulation • Muggy Weather Control • Attractive, decorator-styled cabinets • New single-unit refrigerating system warranted for five years. 11 to 15 ton capacities.

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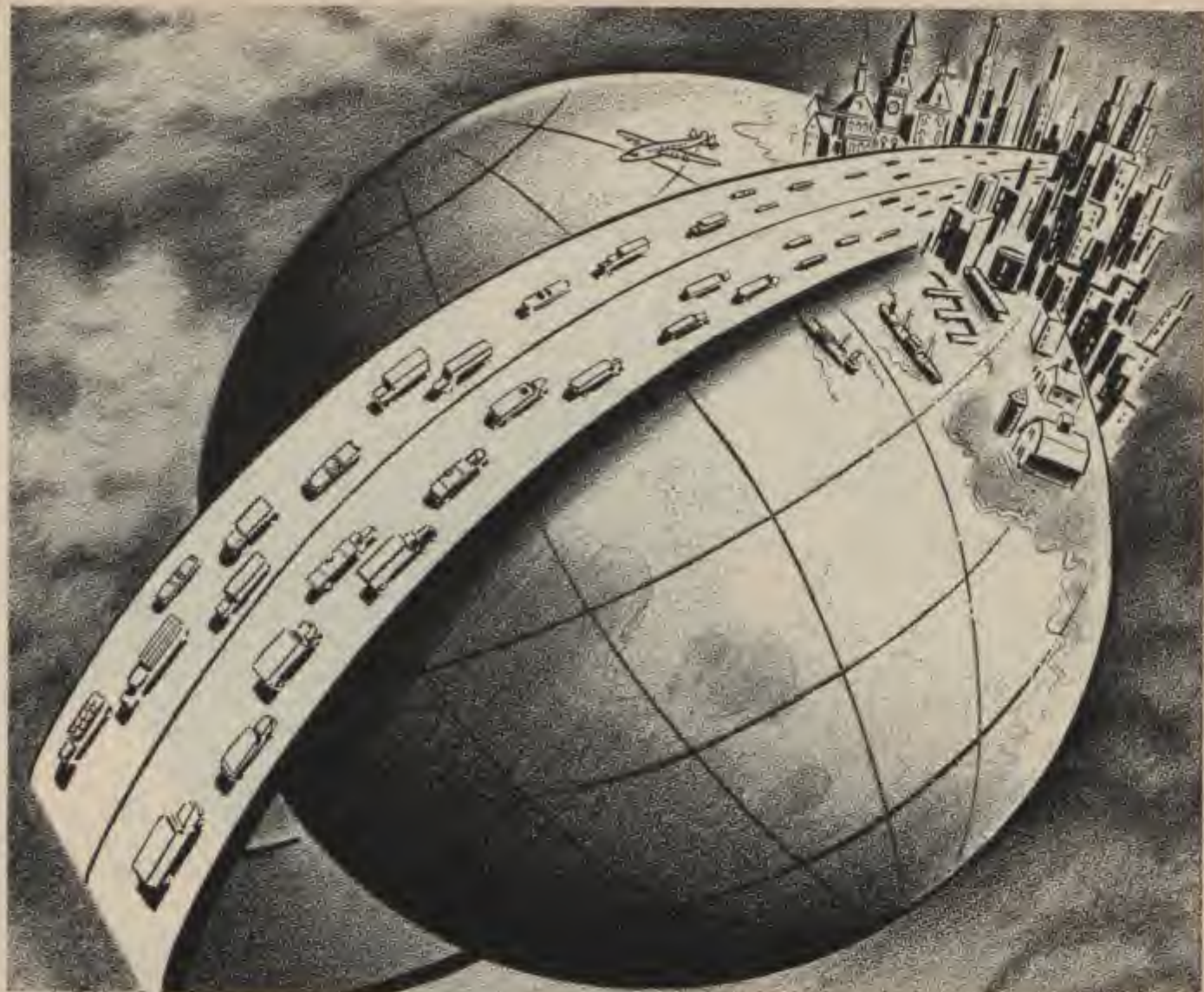
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WHERE IS THE WORLD'S BUSIEST TWO-WAY STREET?

When people talk about this street, they talk about "reciprocal trade" in the same breath.

This street runs right through your home town, keeps going clear around the world. You ride it every day.

Every time you look at your watch, you get into your car, you use the phone or go shopping or pay a bill, you travel the world's busiest two-way street.

If you have a doubt, consider this:

The United States does a big business with its friendly neighbors everywhere in the world. A business that runs into billions every year.

In return, the United States buys the things its friendly neighbors make.

A good example of this two-way street trade has been America's trade with the watchmakers of Switzerland.

In the past nine years, America purchased about \$1,000,000,000 worth of goods from Switzerland—gaining a profitable trade balance of \$500,000,000 for its businessmen, farmers and workers.

Almost 50% of America's purchases was in our watches and watch movements.

In return, the Swiss bought more than \$1,500,000,000 worth of American-made products in the same period. *Paid cash for them, too.* And were it not for the purchases America made in Switzerland, the Swiss people couldn't have bought many of the things you make. Electrical appliances, movies, airplanes. Furs, fuels, lubricants. Machinery, medicines, chemicals. Name it, and the Swiss probably bought it from the U.S.A.

For food and farm products alone, Switzerland spends about \$68,000,000 a year in America.

So no matter how you earn your living—office work, farm work, teach, own a business, or take care of your home and family—you travel the two-way street of international trade.

Recently, this street has been narrowed, instead of widened. Tariff has gone up 50% on jeweled-lever Swiss watches and movements, and other

serious restrictions on trade with the watchmakers of Switzerland are pending.

This means fewer watches will be sold in the U.S.A., fewer American exports to Switzerland.

But it's not too late to mend the potholes that are slowing down commerce on this economic highway. It's not too late to resurface the road that has helped keep prosperity high in both countries.

Goods and good will between friendly nations cannot go very far on a one-way street.

The past has shown it takes two-way trade to insure the security of our people, the expansion of our economies.

Published by
THE WATCHMAKERS OF SWITZERLAND
 during the 104th anniversary of
 The Treaty of Friendship and Commerce
 pledged between the people of
 America and the people of Switzerland

► **HIGHER INCOMES** spur demand for better housing.

The figures: About 1,000,000 families move into \$4,000 and over salary bracket each year.

They're potential customers for homes costing \$10,000 and up--the vast bulk of the market.

That's strong support for home-building boom despite falling-off in new family formation.

New families which will be formed in '55: 600,000.

Housing starts (on annual rate basis) run at 1,200,000.

So--new families are potential buyers of only half new homes.

Others:

Higher income families; growing families with more space needs; families who want to move out of apartments.

Added up, it means there are still more potential buyers than there are houses.

► **MORE POPULATION** doesn't mean more prosperity--automatically.

Population experts forecast a U.S. population of 200,000,000 by the year 1975.

Some economists are cheered by figure, see more mouths to feed, more houses to be built, more backs to be clothed, more cars to be sold.

But population growth hasn't brought prosperity to India, China, parts of Africa.

What's the answer?

Increasing productivity--not more people--feeds, clothes, shelters and expands economy.

► **NEW KING-SIZE** public works program is in the making.

That's in addition to highways, public housing, schools, already recommended--although these would be stepped up, too.

What's added?

Water resource development, more aid to mining, agriculture, industry; dam building and reclamation, shipbuilding, nuclear power stations, hospitals, others.

Plans come from Office of Defense Mobilization.

► **MINIMUM WAGE HIKE** could cost employers nearly \$2,000,000,000.

That's if \$1.25 per hour minimum wins out in Congress over Administration's 90-cent recommendation.

Labor Department says 1,300,000 workers earn less than 90 cents an hour.

Average increase for these workers under Administration plan: Nine cents an hour, about \$180 a year.

Cost to employers under this plan: \$234,000,000.

But: 3,000,000 workers earn less than \$1.25. Average increase with \$1.25 minimum: About 30 cents.

Total cost under this plan: \$1,800,000,000.

► **HERE'S HOW** chemical industry helps cut medical costs:

In '35-'39 period, U.S. spent 21 cents of each medical dollar for drugs.

Amount today: Less than 17 cents.

Reason:

Chemical firms improve methods, chop production costs, pass on savings to user.

Note: Chemical industry includes 9,000 firms, mostly small.

Sales of largest--du Pont--make up only 8.5 per cent of industry total.

► **OUR MARITIME POLICY:** Build-up for a let-down.

How?

During postwar years Uncle Sam rebuilt Japanese, West German shipyards at cost to U.S. taxpayers of \$2,500,000,000.

Their yards do booming business today.

Our yards?

We have 14 commercial sea-going vessels on order, all-time low.

► **CONGRESS WILL** write stand-by controls into extension of Defense Production Act.

What form they'll take will be hashed over after Easter recess (April 4-13).

Sources close to Joint Committee on Defense Production say controls will be "all out."

They'll include prices, wages, rents, credit.

Act expires June 30 and Administration wants to keep it, with or without built-in controls.

► U.S. MAY SEEK to regulate nation's water supplies.

That's forecast of high Interior Department official--but it's hedged with "ifs."

If conservation fails to keep pace with population and industrial growth.

If states don't set up their own regulations, including adoption of anti-pollution laws.

If droughts increase in severity and dust bowls grow.

Note: California weighs law to set up water control districts, with tax-levying power.

► STEEL FIRMS raise sights on expansion outlays for '55.

Figure for new plant, equipment now stands at \$700,000,000, up \$10,000,000 from first quarter estimates.

Total expansion, modernization costs for steel industry since War II: More than \$7,000,000,000.

Here's what investment means in terms of jobs: About 28,000 workers added to payrolls this year.

They'll earn about \$115,000,000, will have \$90,000,000 in new spending power after taxes.

Boost to economy since '46: \$1,120,000,000 in new income, \$900,000,000 in new spending power.

► THERE ARE more jobs open in U.S. than there are unemployed.

That's flat claim of economists who point to:

High turnover rates (as many as 200,000 a year in Washington's federal offices), plus thousands of help wanted columns in newspapers and magazines.

In addition, they say there's chronic shortage of secretaries, domestic help, skilled labor in many lines, including engineers.

The problem: bringing the man and the job together.

The complaint: Government agencies are too wrapped up in unemployment data, spend little time compiling job openings on nationwide basis.

► U.S. ECONOMY is \$1,000,000,000 a day business.

That's what we--people, business,

government--spend each day to operate.

Total adds up to gross national product, expected to reach \$365,000,000,000 in '55.

Breakdown:

People spend \$645,000,000 daily for goods and services.

Construction--highways, homes, factories--averages \$110,000,000 a day.

Federal government spends \$160,000,000 a day, about 60 per cent of it for defense.

State, local governments spend about \$75,000,000 a day.

Business spends \$10,000,000 a day for new equipment, inventory build-up.

Note: Consumers spend their \$645,000,000 out of personal income of \$800,000,000 a day.

Personal taxes take \$90,000,000; and \$60,000,000 goes into savings.

► BATTLE BREWS in Congress over Davis-Bacon Act.

Act, passed in 1931, requires contractors on government construction to pay workers "prevailing area wages."

Why the battle?

AFL building trade unions say law's not being enforced. They want it broadened, strengthened.

Builders, on other hand, say government picks wage rates in nearest big city, calls them "prevailing" on jobs many miles away.

They claim high city wages shouldn't prevail on such construction.

Law, under new proposal, would apply to homes built with FHA loans, as well as to direct government construction.

► RISE IN property tax assessments tapers off.

That shows up in survey by National Association of Assessing Officers.

Compare your own records over past four years, see if your local assessor's in step with pattern.

Here are the figures from 41 cities, 26 counties with more than 100,000 population:

Assessment rise, '55 over '54: \$2,000,000, or 3.5 per cent; '54 over '53: 7.4 per cent; '53 over '52: 4.6 per cent; '52 over '51: 4.1 per cent.

Comparing your property taxes with

washington letter

these increases may point way to shave your real estate tax bill.

► **TAX-FREE BONDS** are \$40,000,000,000 source of state, local financing.

That's amount now outstanding, nationwide. Biggest share--44 per cent--is owned by individuals.

Bonds help pay for local roads, schools, sewer and water works, other improvements.

Federal Reserve survey shows growing list of local governments, faced with rising costs, look to tax exempt bond issues as way around wage tax or property tax boost.

Dollar volume issued in '54: More than \$6,000,000,000. This was an all-time high.

► **DON'T LOSE** a profitable sale just to sell a bargain item.

There's growing trend, retailers say, to offer \$1.00 item, claim \$3.00 value for it.

But then, they ask, how can store-owner claim his regular \$2.00 item in same line is better merchandise?

What one retailer says:

"The store-owner either has to admit his claim of greater value is false--or else lose the greater profit from a \$2.00 sale.

"Either way, that's not good business," says John Labor, Federated Department Stores vice president.

► **ATOMIC POWER** sidelight:

Questioner at Washington conference asked Dr. George Manov of Atomic Energy Commission:

"How long can the atom-powered submarine 'Nautilus' remain submerged?"

Dr. Manov:

"That's classified information--but I can say about the only time the 'Nautilus' would have to surface would be for the crew to re-enlist."

► **HIRING WRONG** salesman can prove costly.

Survey of 140 large, small firms comes up with average loss figure of \$6,600 per salesman who doesn't make good.

That doesn't count value of good will that the poor salesman may lose.

Loss range: \$20,000 and up for large firm; \$2,000 and up for small.

How do most firms pick their salesmen?

Tests, other devices are common--but old-style interview, recommendation from former boss still top list.

► **TAXES TAKE** more than 30 per cent of national income.

That's about 5 per cent above "critical limit" suggested by leading economists.

In dollars: We pay \$91,000,000,000 in taxes--federal, state and local--out of total national income of \$300,000,000,000.

Taxes include excises, sales, income, corporate, all others.

Tax figure breaks down to \$552 for each of 164,000,000 U.S. citizens.

Note: Federal government share of over-all tax take is up from 34 to 75 per cent since 1929.

► **BRIEFS:** Army draft call for this month--first set at 8,000--may be increased: figure is lowest since start of Korea war. . . . Keep your eye open for rapid development of atomic locomotive; there's experimental reactor in one shop now. . . . Defense officials don't worry too much about possible enemy jamming of electronic equipment; they say essential devices can be shielded easily. . . . 30 per cent of new homes built this year will be of brick--a 16 per cent jump in 10 years. . . . U.S. exports will account for 5.5 per cent of national product this year--compared with 3.3 per cent for booming construction industry. . . . Dairymen seek extension of Daylight Saving Time; they claim more daylight hours mean more ice cream and milk consumption. New York City has already extended DST to Oct. 30. . . . Bank modernization's boost to business is reflected in deposit increases of from 8 to 15 per cent, survey of 50 banks before and after changes shows. . . . Not all waste paper's wasted: National Association of Waste Material Dealers expects to collect more than 9,000,000 tons this year for re-processing and re-use; biggest single source of paper: office buildings.

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Letters TO THE EDITOR

The figures matched

Your article about the "President's Highway Plan" by Henry K. Evans contains a complete explanation of this most important proposal and in a concise and understandable form.

We are wondering, however, how the federal government would be putting up roughly one third of the total construction program as stated if federal aid under highways would total only \$6,230,000,000 whereas the total expenditure for that item is \$44,900,000,000.

WILBUR J. BARLOON
Davenport, Iowa

Note: Our language "roughly one third" applied to proposed federal share of \$31,230,000,000 in a total construction program of \$100,000,000,000, not to portion of program Reader Barloon mentions.

Permission granted

Phil Gustafson's article in the February NATION'S BUSINESS tells the Air Proving Ground Command story in graphic and realistic terms. We feel our own people would have a better understanding of this command if they had an opportunity to read Mr. Gustafson's article. It would be greatly appreciated if you would grant us permission to reproduce the article locally to use: 1, Within the command, and 2, Release to local news media.

Lt. Col. DEWITT R. SEARLES, USAF,
Chief, Office of Information Services,
Headquarters Air Proving Ground
Command, Eglin Air Force Base, Fla.

Cold story causes heat

When I came to the column "By My Way" by Duffus, my blood boiled. He states that the lowest recorded temperature he can find on the U. S. mainland is 45 below zero at Bismarek, N. D. If Mr. Duffus had picked up his telephone and called the U. S. Weather Bureau he would have found out that McIntosh, S. D., recorded a 58 below; Rogers Pass, Mont., 70 below; Riverside, Wyo., 66 below; International Falls, Minn., 59 below.

I want to extend an invitation to Mr. Duffus to come out to North Dakota and I am sure we can prove to him that Bismarek, N. D. is "Where the Sunshine Spends the Winter."

A. J. SHREINER, Manager
Bismarek Chamber of Commerce

Workingman's view

As a workingman you have convinced me that the so called right to work laws you defend on the last page of the February issue of NATION'S BUSINESS are bad for our working people and therefore our country as well. For your information, our union

leaders do not refer to union members as cheap free loaders, but use this term to describe the greedy nonunion individual who hopes to cash in on union benefits without paying dues.

FRANK KINDEL
Lancaster, N. Y.

Fair trade and the Golden Rule

I would like to point out that there are two main arguments for the lowering, and eventual removal of tariffs. The first one is that of good will. Good will is essentially doing to others as you would have them do to you, essentially it is applying the principle of equality to all people. If other people see that you are fair, they will become your friends; if they see that you are unfair, selfish, and stubborn to the point where they will not change your views they will become your enemies, and they will turn that enmity into further war.

The other factor has to do with logic. If you are going to put high restrictive walls around the United States, why then not add them between each state, and why not a wall around Ouray, Colo. In other words, there is no right place to begin and no right place to end with the theory of economic artificial restrictions.

HAL HALL
Ouray, Colo.

More details suggested

As one who worked on the construction of the Panama Canal, I read the Canal article in the February issue of NATION'S BUSINESS with interest.

Though the article does contain some excellent points that should increase understanding of the principal issues, it also includes some obvious unevaluated information that may mislead the business interests of the United States.

I note particularly its failure to discuss the audit reports of the General Accounting Office on the Panama Canal Company which are very illuminating. There are also available independent source materials on such matters as the Third Lock Project on which some \$75,000,000 was spent.

WILLIAM E. RUSSELL
New York, N. Y.

Objective and factual

Particularly at this moment when the Canal Zone is entering a new era in its engrossing history, it is gratifying to those of us devoted to the operation of the United States government's enterprise to see your presentation of the Panama Canal story as carried in the February issue.

J. S. SEYBOLD
Governor of the Canal Zone
President, Panama Canal Co.
Balboa Heights, Canal Zone

Cobalt doesn't live so long

The article: "They Build Atom's Road to Peace" by Philip Gustafson, in the March issue of "Nation's Business," is very interesting. However, there is an error on page 68 concerning the half life of Cobalt 60. The value for the half life of Cobalt 60 is given as 5.3 years in scientific literature, and not 20 years as stated by Mr. Gustafson.

H. H. LURIE
Columbus, Indiana

Note: Mr. Lurie is right.

Still good five years later

I am wondering if it is still possible to obtain a copy of the article "Small Business Can Pay Pensions" by Lawrence Galton which appeared in your September, 1949, issue.

H. B. BLADON
Morristown, N. J.

Birth of a business

I read with considerable interest your article entitled "Potato Chips." The reason I was greatly interested in this was because in my home town, Berwick, Pennsylvania, we have seen a potato chip business grow from nothing to the largest in the world. Back of it is quite a human interest story and I thought maybe you might sometime like to print it. It would be an inspiration to all businessmen.

All my life I have known the founder and owner, Mr. Earl Wise. He came from a rather poor, so far as this world's goods is concerned, family, but with much character back of him. He had a little grocery store as we say, on the side, while holding down a modest clerical job. Finding himself with a surplus of potatoes in his little store, he asked his mother how to make potato chips. This was the beginning of a business that today is tremendous.

ROY H. STETLER
Harrisburg, Pa.

Bonds like corn

I wish that you would cooperate with me on educating our citizenship on the subject of U. S. bonds. In fact, on the whole financial practices of the U. S. Treasury. I have long been opposed to the large and wholly unnecessary public debt. There is no excuse for it.

Printing bonds and then selling them in exchange for currency printed on the same presses as the bonds were is like a farmer who plants corn and then exchanges it for wheat that he could have raised on the same land that produced the corn.

CHARLES C. KING
Seattle, Wash.

Challenge to lawmakers

It is our thinking that there is both good and bad in existing fair trade laws, and we ought to be able to enact legislation which would bring about fair competition and eliminate cut-throat practices.

LOUIS H. BRAUN
West Bridgewater, Pa.

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BY MY WAY

Red Duffus



Not too good, not too bad

AS I FOLLOW the goings-on in this, our national capital, sometimes on the spot and more often from a distance, one thought encourages me: No politician, of either party, is quite as bad and mistaken as his opponents say he is, and none is quite as good as his friends claim he is. This world is administered, in democratic countries, by persons a little smarter than the general run but not much better or much worse. And, in spite of everything, the democratic (small 'd' democratic) system works pretty well.

The young in heart

MORE AND MORE I believe that age is not indicated by when we were born but by how we feel, look and act. The drugstore clerk who waits on me when I am in the Big City remarked the other day that he ought by this time to know how to put up a prescription. I said that at 65 or so he surely ought to. He snorted genially and pointed to a framed diploma on the wall behind him. The date was 1898—year of the Maine sinking, the Battle of Santiago, Dewey's victory at Manila Bay. As near as I could figure, my pharmaceutical friend must have been about eight years old when he passed his examinations for the post he now holds. But, after 57 years experience, he still does a good job—the stuff he gave me cured me of what ailed me. Some day, a decade or two from now, I am going to come to him to be cured of old age. I figure he will still be there.

A bittern drops in

A BITTERN surprised bird experts by appearing on East Eighty-first Street, Manhattan, on a cold day of what I hope can now be called last winter. Bitterns should not be in such places at such a time. The only one I ever saw was sitting on a log—and trying to look like a part of

the log—on the edge of a muddy river in Maine many years ago. It said nothing—it just looked thoughtful. This one, it seems, made noises, variously interpreted as follows: "Chunk-a-lunk," "Oong-ka-choonk" and "Plum-pudd'n." Obviously it wished to be interviewed. Unhappily, no reporter turned up who spoke what I may call the bitterness language, and now we shall never know whether that bird was a Republican, a Democrat or—more likely, but not certainly—a mugwump.

A cheer for the Panama R.R.

NOT even the airplane can beat the oldest transcontinental railroad in this hemisphere. The Panama Railroad, crossing the Isthmus at its narrowest point, takes passengers from the Atlantic to the Pacific in an hour and thirty-five minutes. This year it celebrated its one hun-



dredth anniversary. I hope that there is no substance in the sinister rumors that it is about to be abandoned and replaced by bus service. But one can't tell—progress is progress.

What's wrong with the past?

PERSONS who wish to change things are always in conflict with those who are not sure that every change is for the best. I notice this in recent news from Britain. The British—or rather the English—called attention around the turn of the year to the fact that it was illegal for the Scots who live on the island of Lewis to kill and eat the sea bird known in London as a gannet and in Stornaway as the guga. This bird is not good to eat,

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but the Scots think he is. If they can't eat him they lose a cherished link with the past. On the other hand, a so-called Court of Chivalry held a session and decreed that, according to a law passed in 1672 and another promulgated in 1385, it is illegal for a theater in Manchester to use the city's coat of arms as an advertisement. And in addition, the rector of Ickham, in Kent, is obligated, under a 300-year-old bequest, to give red flannel petticoats at Christmastide to any poor women needing them. Today there are no such poor women, but the rector goes on trying. These instances pleased me. They gave me a sense of stability in a dizzily whirling world.

Three cheers for the office boy

BEING BORN in a log cabin doesn't get anybody anywhere any more. There aren't any log cabins, for one thing, except in Alaska and in parks and national monuments, and let any one try being born in one of them and see where he gets off. Or she, either. But I have been thinking, as I read the newspapers and gaze around me, that the next best thing, as far as males are concerned, is to start in life as an office boy. I have seen in my own newspaper shop office boys who



bloomed into war correspondents and editors and in the business news sections I am always learning of former office boys who are now vice presidents and general managers. Quite often they don't even have to marry the boss's daughter, as Oliver Optic's heroes used to do.

The old haunts revisited

AFTER quite a long interval, I went walking through a part of the Big City that I used to know quite well. There had been changes. The corner where John Masefield once tended bar has been rebuilt and includes one of a chain of famous restaurants—the same that minister to hungry travelers along the Pennsylvania Turnpike and other thoroughfares . . . On the other side of town Wanamakers is closed. I cannot go to Philadelphia today, and I drop a tear for Auld Lang Syne . . . The Bible House is to be torn down, but the Bible isn't; it survives as

other best sellers come and go . . . Bendiner and Schlesinger still run a Chemist's Shop (not a drugstore), after 112 years, corner of Third Avenue and Tenth street . . . St. Marks in the Bowery has survived 160 years, on the site where Peter Stuyvesant went to church more than 300 years ago; its steeple is not the pink color an artist friend of ours made it 30 years ago, but nevertheless it stands, sturdy and inspiring—and I didn't really intend a pun . . . On Second Avenue, which is more ambitious than it used to be, the Pert Upholstery Shop, I hope, flourishes, and never turns out any dull chairs or sofas. The more things change, as they say, the more they are the same.

The knifefish and us

I HAVE no prejudice against the human race—it has many excellent qualities. However, there are some things it can't do that other forms of life can do. The ordinary knifefish, for example (I take this information from a piece by Dr. C. W. Coates of the New York Zoological Society in the New York *World Telegram and Sun*) can swim backwards and never bump into anything. I can't. I can't even swim backwards. But I can write on a typewriter—like this. A knifefish can't. I can vote. A knifefish can't. It balances out. Neither of us has any right to be conceited.

Why I like hens

MY FAVORITE newspaper says that there are now two and a fraction hens for each American. I am glad of this for two reasons: First, I like eggs in various forms, including the soft-boiled—which the Italians call "drinkable." Second, I am one of the few persons who like hens. I like hens because they are irrational and always losing their heads, which is fine in a far too rational world. I also like them because they don't nurse grudges but always express any emotion they happen to feel at the moment—such as pride in laying an egg. I know about hens, too—I was once a country boy myself. I knew some hens who laid eggs in trees—but that is another story.

The first 100 years

I WAS READING about an Italian farmer who recently reached the age of 100 in spite of the fact that he seems to eat too much, drink too much and smoke too much. Of course this proves nothing. If he had been more moderate he might be 200 years old.

For the business man who refuses to stagnate



HALF the world is half asleep! Men who could be making *twice* their present salaries are coasting along, hoping for promotions but doing nothing to bring themselves forcefully to the attention of management.

They're *wasting* the most fruitful years of their business lives . . . throwing away thousands of dollars they may never be able to make up. And, oddly enough, they don't realize—even remotely—the tragic consequences of their failure to forge ahead while time is still on their side.

These are the men who are unknowingly headed for the frustrations and the disappointments of mediocrity. They'll go part way up the ladder and down again by the time they're fifty years old. They'll be executive material in their twenties and thirties—and clerks in their fifties. They'll have high hopes for themselves and their families while they're young; but only struggling, skimping and regret later on when their earning power should be at its height.

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Trends

of Nation's Business



THE STATE OF THE NATION BY FELIX MORLEY

TEXAS has produced many great men since the days of Stephen Austin and Sam Houston. One of the most outstanding celebrates his eighty-first birthday as this issue of NATION'S BUSINESS reaches its readers. But for his modesty Jesse Jones, former Secretary of Commerce and Chairman of the Reconstruction Finance Corporation, could properly say of Houston's extraordinary growth: "All of this I saw and much of it I was."

To talk with Mr. Jones, in his secluded office above the great Texas bank which he organized nearly 50 years ago, is to realize that the rise of Texas to its present position of economic and political eminence is less phenomenal than it seems. All around, in downtown Houston, fine new buildings were shooting skyward. To me it was curiously reminiscent of the construction activity in Western Germany, except that the sites in Texas cities were cleared by civic planning instead of bombs. But when I mentioned this comparison to Jesse Jones, he was unimpressed.

"To the western mind," he said, "it's natural to build."

And I had to agree for, coming to Texas from California, I had been witnessing a similar development. Back from the shores of its spectacular bay, San Francisco is leaping out in every direction. And in Claremont, 30 miles from the center of Los Angeles, they now admit to being a suburb of that sprawling metropolis.

"When the new expressway is finished," I was told, "people will commute regularly from San

Bernardino to Los Angeles. It's only 70 miles—about an hour's drive."

For one who grew up with the impression that New York and Pennsylvania would always be our dominant states, a leisurely visit to California and Texas is a healthy corrective. With the eye alone one sees that these last two giants are bidding strongly for the lead. Los Angeles boosters already have it figured that by 1980 their population will have passed that of New York. And Houston's claim to have made this inland city the country's second port remains impressive, even after New Orleans hotly discounts its rival by pointing out that in dollar value, as opposed to mere tonnage moved, Houston is well behind the Crescent City.



The census figures certainly substantiate the case for California's amazing growth. Between 1900 and 1950 its population soared from 1,485,053 to 10,586,223, raising the Golden State from twenty-first to second place in the union of 48. The gain during the 1940-50 decade alone increased the number of California's representatives in Congress from 23 to 30, while the New York delegation was sinking from 45 to 43, and that of Pennsylvania from 33 to 30. Now, half-way through the 1950-60 decade, it appears certain that the next reapportionment, in 1960, will give California approximately the same representation in Congress and therefore in the Electoral College, as New York. Pennsylvania will at best be a poor third.

The growth of Texas, while very steady, has been slower—from 3,048,710 in 1900 to 7,711,194 in 1950. This

gives the onetime independent Republic 22 members in the present House, by far the largest single southern delegation; only three less than that of Illinois and one behind Ohio. The slide-rule experts figure that Texas is now pressing Illinois for fourth place in the column of electoral votes.

Though population growth in California is currently more rapid, that of Texas promises to be more sure. Not only its area, but also the proportion of its arable land, is far the greater. Yet today there are only 35 people to the square mile in Texas as against approximately 70 in California and well over 300 in New York State. That is why Jesse Jones, from the vantage point of four score years and one, sees the political as well as the economic barometer set fair in Texas. But he, like other leading Texans with whom I talked, is far from the largely legendary boaster. Texans concede the supremacy of immediate political influence to California, provided the rival and strongly separatist tendencies of Los Angeles and San Francisco can be ironed out.

I was in San Francisco when the decision to hold next year's Republican Convention there was announced. This beautiful city took the honor as no more than its due. But the politically minded of both parties agreed that the decision of the Republican National Committee was also very shrewd.

The voting strength of every state delegation at a nominating convention is twice the total of its congressional representation, plus certain bonus delegates allotted by the two parties according to slightly different formulae. Disregarding these bonus delegates, who complicate the comparison without materially affecting it, the hard core of the most important state delegations at both 1956 conventions will be: New York, 90; California, 64; Pennsylvania, 64; Illinois, 54; Ohio, 50; Texas, 48; Michigan, 40. The delegations of these seven leading states, all of which went Republican in 1952, have more than one third of the total voting strength in each party convention.

California and Illinois are the only ones among these seven major states where dissident Republicans are deemed at all likely to contest the renomination of President Eisenhower. And if Vice President Nixon is to continue as Ike's running mate, the support of California must be made sure.

This is the more imperative because William F. Knowland, California's senior senator and the G.O.P. leader in the upper house, has of late shown himself antagonistic to the President. Senator Knowland's viewpoint on the handling of Red China has been far from identical with that favored

by the White House. And this variance has increased tension between Mr. Nixon, who comes from the Los Angeles area, and Senator Knowland, whose political strength focuses in San Francisco.

By selecting San Francisco for next year's G.O.P. convention the Eisenhower leadership has gone far to neutralize Senator Knowland as a potential trouble-maker. This has been done by placing him in the position of host, at the gathering where Ike's renomination is regarded as a foregone conclusion. Thus party harmony, and the retention of California in the Republican column, are promoted.

Precisely because the Republicans are healing the California fissure, the Democrats must woo Texas the more assiduously. In 1952 Ike carried that state by a slim majority. But his chance of retaining its 24 electoral votes next year is problematical. Only if the Democrats nominate a pronounced New Dealer, so all my informants said, will Texas, as an act of revulsion, go Republican.

For a price, however, the Texas Democrats will return to the fold. And the first instalment of that price is the acceptance of their State Committeeman Wright Morrow, of Houston, by Democratic Chairman Paul M. Butler. Because of his strong state's rights attitude Mr. Morrow, a protégé of popular Gov. Allan Shivers, has heretofore been unacceptable to the northern Democratic leadership. Texans noted with amusement that Mr. Butler began to court Governor Shivers as soon as the White House acted to corral "Bill in the China Shop," as his West Coast critics call Knowland.

But the full price for the fat parcel of Texas' electoral votes will be much higher than the acceptance of Mr. Morrow as committeeman. Leading the other southern states in numbers and in wealth, the Texas Democrats are steadily consolidating a position from which they can dictate the nomination of a candidate acceptable to the South. By 1960, they say, their political power will be obvious to all. They hope that "the northern bosses," seeing the inevitable, will accept it in 1956.

So the eyes of the eastern reporter are opened to see new stars rising over the political horizon and to realize that New York and Pennsylvania, like other old gray mares before them, are not what they used to be. Because of the tremendous population growth of California the Republican leadership must now before all else achieve political harmony there. And, for essentially the same reason, the Democratic leadership must placate Texas, or else write off its 1956 candidate even before his nomination.

Politics, in short, is in the long run determined by changing economic factors. And to travel through the booming states of California and Texas today is to realize, with wise old Jesse Jones, that the needle of power within the United States, though still oscillating, is setting west-southwest.



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WASHINGTON MOOD

BY EDWARD T. FOLLIARD

THE POLITICIANS are hard at it this spring, trying to bring some vote-winning issues to bloom.

For the Democratic gardeners it has been tough going. Not only have they had trouble getting issues to burgeon, but they have been laboring under an uncertainty as to the political worth of those issues even if they did burgeon. This has been particularly true in the field of taxes.

What would the American people most prefer, a reduction in taxes or a stable dollar?

If the answer is a stable dollar, you might have to say that President Eisenhower is a smarter politician than Sam Rayburn and some of the other Democratic professionals. You might have to say it in spite of the soldier-statesman's insistence that he is only a novice in politics.

This question—tax cut versus stable dollar—has been at the heart of the controversy between the Eisenhower Administration and the bulk of the Democrats in the Eighty-fourth Congress. It may not be a valid question, considered from the standpoint of the national economy; possibly we could have both a tax cut and a stable dollar. But the President insisted at the outset that there had to be a choice.

Speaker Rayburn and his followers, in pushing a \$20 tax cut for everybody, were proceeding on the assumption that it was a sure-fire issue, one that would certainly win favor with the rank-and-file of voters and bring a reward for the Democrats in 1956.

The record, however, casts some doubt on this assumption.

In 1948 the Republicans put through a tax cut of \$4,800,000,000 during the Eightieth Congress over the angry veto of President Truman, and went to the country with it. What was the result? Well, of course, Mr. Truman whipped Tom Dewey that fall, and the Democrats won back Congress from the Republicans.

In the last Congress, the Republicans claimed credit for slashing taxes by some \$7,400,000,000. It was an achievement to which they pointed with considerable pride when they went out to campaign last fall. But once again the voters seemed unimpressed; they put the Democrats back in control of Congress.

All this Joe Martin pounded into the ears of his nervous Republicans when the \$20 tax cut came up this time in the House of Representatives.

President Eisenhower's handling of the tax-cut issue, it seemed to this observer, was much shrewder politically than was generally realized. What got the headlines, of course, was his vehement statement that Rayburn and Co., were guilty of fiscal irresponsibility. Conflict always gets the headlines. But the Chief Executive, it was noted, was careful to accompany his negative argument with a positive one.

It was as if he were saying to the Republicans: "Look, here is something even better to take to the voters than a \$20 tax cut."

What the President actually said, in the course of a news conference, dealt largely with the value of the dollar and the old and worrisome problem of the cost of living. After warning against inflation and deficit spending, he said:

"In the past two years, the cost of living has varied less than one half of one per cent. From 1939 to 1953, the dollar went from 100 cents to 52 cents. It is that kind of thing that must be stopped. A free economy . . . is based on a stable dollar, which is more important to all low income and fixed income groups than it is to rich people.

"Rich people can buy equities, can afford to invest in equities, and as the dollar cheapens, the amount of dollars that they have invested goes up and up.

"But the fixed-income group, the man who is buying an insurance policy or looking forward to living on his pension, is the one who is hurt."

The President's economic advisers—Dr. Arthur Burns and Dr. Gabriel Hauge—seem confident that the erosion of the dollar has been halted and that

Trends

the cost-of-living index will continue to be reasonably stable in the years immediately ahead. Whether the Re-

publicans will be able to capitalize on this at the polls is, of course, something only the voters can answer.

The truth is that the Republicans are not nearly as concerned about issues as are the Democrats. Indeed, you get the impression at times that issues are the least of their worries. Their thinking seems to be concentrated wholly on a man—Dwight D. Eisenhower.

They are prepared to point to him in '56 and then say to the Democrats: "Match him."

All the planning at the Republican National Committee is based on the notion that it will be "Ike in '56." This is true despite the fact that General Eisenhower has said nothing about his intentions, and probably will say nothing for perhaps a year. Not only do Chairman Leonard Hall and the other G.O.P. strategists expect him to run, but they expect him to win easily. And they are encouraged in their optimism by the attitude of the Democrats, who are noticeably shy about making any victory claims of their own at this stage.



The idea that General Eisenhower might say "No"—and it does occasionally occur to them—strikes terror in the hearts of the Republicans. Even such a casual and sensible remark as he made last month about there being no such thing as an indispensable man—even that disturbs them.

Their antidote for such a thought as a 1956 Republican ticket without the name of Eisenhower in top place is to think in positive terms. They persuade themselves that there are many more arguments in favor of his running than there are against his running.

They are buoyed up, too, by what they hear from one of the key men in the White House. This is Bernard M. Shanley, now the President's Appointment Secretary, who sees more of him day in and day out than any official in Washington. Mr. Shanley is much impressed by his boss' keen sense of duty. He says that he is "dedicated to the American people"; that it is "something more than the dedication of a soldier—something that is very deep and spiritual."

Mr. Shanley argues, therefore, that if President Eisenhower is convinced that the American people feel that he has made good, and that he is needed in the White House for another four years, then he will throw his hat in the ring again.

"When the time comes," says Mr. Shanley, "if he feels that the American people want him to do this thing, I don't think there is any question about it. . . . In that event, he will run."

When the Republican National Committee voted

to hold the '56 G.O.P. convention in San Francisco, there was a good deal of speculation here as to what it meant. Some thought it implied that General Eisenhower would not run again. Their reasoning was that he wanted the convention held in California because that is the home state of three men who are mentioned as possible nominees in the event he steps aside—Vice President Richard M. Nixon, Chief Justice Earl Warren and Sen. William F. Knowland.

There is no doubt that the President influenced the selection of San Francisco. His reason, however, if you want to take his word for it, was a simple one. He likes San Francisco, especially its climate in summer, and anyway he thinks it is a good idea for the Republican Party to meet in different parts of the country.

It has been suggested that, with the Republicans meeting in San Francisco, Senator Knowland will be inclined to soft pedal any criticism he may have of the Eisenhower Administration's foreign policy.

Another suggestion is that the decision to go to San Francisco makes it certain that, if General Eisenhower is again the nominee for President, Mr. Nixon will again be the nominee for Vice President. The argument here is that the Republicans would not dare dump a man in his own home state. However, that raises the question: Who says that he has ever been in any danger of being dumped? The fact is that Mr. Nixon seems to have made a big hit with the No. 1 man, who often praises him.

Turning to the other side of the political fence, Adlai Stevenson continues to be the betting favorite for the Democratic nomination in '56. However, some of his friends are not sure that they want him to get the nomination this time. Looking at the Gallup Poll, which shows Eisenhower continuing to top Stevenson in popularity, they shudder at the thought of his being sacrificed again. They think it might be smart politics to hold back the Illinois statesman and save him for the campaign of 1960.

Well, this idea of saving Stevenson for 1960 might make sense to these particular admirers, but it is not likely to make sense at the '56 Democratic convention. If Stevenson is the popular choice, and barring an emphatic "No" from him, he almost certainly will be nominated.



Politicians are among the most hopeful of human beings. No matter how dark the outlook, they seem able to work up an enthusiasm for their own chances. They talk about breaks and possible upsets. This optimism is especially noticeable at a national convention, where the oratory and band music combine to create an atmosphere of victory.

Anybody who doubts this need only hark back to 1936. That was the year when FDR trounced Alf Landon 46 states to two. Yet it was easy all during that campaign to find Republicans who were willing to bet on Landon.

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FORMOSA:

as Red China sees it

Now firmly entrenched on the mainland, Reds see this island as a psychological barrier to their domination of all Asia

By **KENNETH W. MEDLEY**

COMMUNISM has firm control over China and there appears to be no chance that this control will be shaken soon, either by forces inside China or outside.

Because of this strength, seizure of Formosa—like Korea, Indochina, and the Tachen Islands—is a step toward Asiatic domination that Mao Tse-tung can be expected to take as soon as he believes he can win.

This is the inference to be drawn from an extensive study of Red China's strengths and vulnerabilities. The study, begun in 1951, was made for the Air Force by a special staff at the University of Southern California, under the direction of Dr. Theodore H. E. Chen, head of the University's Department of Asiatic Studies.

Called the Chinese Documents Project, it was initiated by the Air Force as a broad introductory effort to learn how communism works in China, how the people live under it, how they accept—and comply with—the dictates of the Red regime.

The study was made by a group of Chinese social scientists and an American.

With that one exception, all were born in China. All got their early education in China. All have done graduate work.

The researchers used almost exclusively documents in the Chinese language from behind the Bamboo Curtain. They studied some 1,000 Chinese books and pamphlets, files of about 15 Chinese-language newspapers, and key Chinese periodicals. Some personal letters and a few reports in English were also used.

The Project consists of 20 reports which total more than 2,500 pages.

These reveal the extent to which the people have been forced to bow to communism. Control over more than 600,000,000 individuals is so utterly complete that dissent is not tolerated.

The overwhelming fact about the communization of

China is that it has eliminated a freedom heretofore unrecognized—the freedom to remain silent. Each citizen is required to demonstrate his enthusiasm. He must cheer the communist parade. This is the essence of brainwashing.

Mao Tse-tung expects Red China to dominate the Asiatic flank of world communism. The final liberation of the proletariat in any country, he says, depends upon the liberation of the proletariat in all countries.

In this program the capture of Formosa is merely a step. It is a step similar to the victories in Korea, Indochina, the Tachen Islands, and any other islands along the China coast which the Red leaders may consider worth taking. Such victories are less strategic than psychological. The United States is pictured in China as the number one enemy. Wherever Mao can engage the number one enemy—and win—he will do so. Since the Chinese are told that America intends to invade China, even a military stalemate becomes a victory as the Reds see it.

When will Formosa be invaded and how? To answer this means delving into the mind of a strategist. There is no hurry, Mao would say. Time is on his side. Strategy may require other victories first.

The Chinese Documents Project, though cut off when only two thirds completed, provides the Air Force, both at policy levels and in training programs, with a more thorough knowledge of life behind the Bamboo Curtain. By understanding Red China's vulnerabilities, in continuing studies of this nature, Air Force strategists can plan for any eventuality.

To learn the significant findings thus far, NATION'S BUSINESS interviewed Dr. Maurice T. Price, an Air Force evaluator at Maxwell Air Force Base who is the official in charge of the study. Dr. Price's answers come solely from the Chinese Documents Project.

TURN PAGE FOR AIR FORCE SURVEY

INSIDE RED CHINA

AN AIR FORCE SURVEY

JAY E. LEVITON—HUNCA-STAR



Dr. Maurice T. Price, center, and Dr. Herman J. Sander, right, Air Force evaluators, discuss Red China with Col. Myron F. Barlow, commander of the Officer Education Research Laboratory, Maxwell Air Force Base

What are the Chinese communists' intentions regarding Formosa?

Formosa—like Indochina and Korea—is a step in a vast, anticipated campaign. Although the study does not touch on Formosa directly, it does reveal persistent principles which indicate probable policy.

First, Chinese communist leaders think of their regime as linked with the Soviet Union in a world-wide struggle in which the U. S. is the chief antagonist. Anti-American feeling, which was bitter in the '40's, was passionately increased in connection with communist China's part in the Korean war.

The communists also harp on the United States' successive steps in establishing military bases, diplomatic alignments and military assistance—interpreted as move against the world communist bloc. Particularly emphasized have been U. S. support of Chiang Kai-shek and "invasion" of Formosa.

Furthermore, Mao Tse-tung has

definitely claimed that the final liberation of the proletariat in any country depends on the liberation of the proletariat in all countries. Liberation of Formosa is, by this reasoning, a necessary communist act.

Does communist China want war?

China is developing and modernizing her war machine and military forces with utmost speed. In addition, the overriding principle of expediency and of rationalizing whatever action is decided upon is basic in the communist operational code. Basic considerations of ideology, of attitude, of operational policy led to outright military opposition to the U. S. in Korea. There is no significant evidence that they have abated.

The Chinese communists' military policy has been to strike only where and when they thought they had overwhelming superiority.

What do mainland Chinese think of Chiang Kai-shek?

They have been filled with accusations and propaganda against

him and the corruption of his regime. But those who remember his rule know that his land policy was more lenient than Mao's. He did not force his family code upon the people. He did not use a veritable army to compel compliance with farm and family policies. He encouraged business and cooperated with the business community.

For these and for other reasons, Chiang's policies would be rated more favorably by large numbers of Chinese people than they were previously.

How do the communists reconcile China's military policy with her peace campaigns?

They say the Chinese have been put on a war footing because China supports the peace movement led by Soviet Russia. Internationally, America is portrayed as the war-monger and aggressor.

Do the people support Mao's international policy?

If support of the regime is measured in terms of the government's ability to mobilize the people for great efforts, then we must say that the people are supporting the international policies.

However, there is no true measure of resistance. There have been a great many cases of individual and group opposition, but there is no valid way to determine the enthusiasm with which a farm youth volunteers for the army in preference to going to slave labor camp.

How do the communists gain this support?

By propaganda, threat, and some promises. Where these fail, compulsion and liquidation are used.

The regime has one of the largest and most powerful propaganda machines in the world. It permeates the entire population and reaches almost everyone. Propaganda is a required activity in every unit of the Communist Party.

What is the general nature of the propaganda?

The communists themselves say it is basically political warfare. As such, it is carried on against the people of China. Lenin's dictum that the Soviet regime rested on a balance of coercion and persuasion is often quoted in Chinese communist literature. It probably best describes one of the most important aspects of Chinese communism. It is a master key to understanding the dynamics of Chinese communist society.

How is propaganda handled?

The regime controls all the forms of public mass communication. It has a network organized to reach

500,000,000 or 600,000,000 individuals. This network has supposedly come to involve 4,000,000 or 5,000,000 workers.

Propaganda includes the educational process and the school system. It includes the use of the arts, from literature to the village theater. Most of all it involves agitation for specific activities, including local communist objectives such as economic production, raising money, etc., as well as things to be done in the local factory, or village, or family life.

Broadly, it also includes the reforming or brainwashing of individuals who do not loudly advocate the party line. Anyone who does not applaud the communist line, even in the local situation, is subject to brainwashing. He is forced to make confessions and criticize himself severely. Even the party leaders are subject to this.

Toward whom is propaganda aimed?

Toward three groups—the lower officialdom of the communist regime, the broad masses, and the intelligentsia.

Judging by severe newspaper criticism of the communist cadres, the party has real difficulty indoctrinating many of its own workers—keeping them in line. Indoctrination of this group is never ending. It is necessarily complicated because of the constant changing of objectives.

The second group—the broad masses—is largely illiterate. To reach these people the communists have developed a personal network of propagandists who address them at meetings, in small groups, and in casual personal contact. Their methods also include use of pictures, comic books, loud speakers, and so on.

For the intelligentsia, the special propaganda device is brainwashing. This is undertaken according to elaborate plans in each educational institution or section of a community. In the case of schoolteachers, it involves remolding of thought.

Two publications are devoted to brainwashing. One is called *Hsueh Hsi*, which means study, learning, training. It is aimed at the intellectual and educated class. The other, *Hsueh Hsi Ch'u Chi Pan*, which means study primer, is aimed at persons of a lower educational level.

Is anti-Americanism the central theme of their propaganda?

Not exactly. It is a device. During the Korean war, anti-Americanism became the basis for gaining support for numerous programs—not only for backing up the cost of mobilization but also for supporting such things as working harder to increase



Freedom of silence does not exist in Red China. Everyone must show enthusiasm, as are these students saluting Mao Tse-tung in Peiping

production on farms and in factories, and for making cash contributions. It helped the communists gain general support for the regime.

The communists attempted to build up a concept of America as an imperialist power, aggressive against China for 100 years. According to this concept, America is accused of invading Formosa and Korea, bombing the Manchurian border, supporting Chiang Kai-shek, refusing to admit delegates of the People's Republic into the United Nations and the Allied Council in Japan, supporting fascism in Japan, rearming Japan, developing a chain of military bases from the Aleutians to Burma and India, sponsoring espionage activities throughout the Far East.

The communists told their people that had the Korean invasion been successful, American forces would have proceeded through Manchuria into China.

Today a handbook called "How to Understand America" has wide distribution in China. It stresses three reasons for hating America:

1. Her imperialistic policies toward China.
2. Her false democracy at home and abroad.
3. Her foreign policy, said to be characterized by the exploitation of other peoples and the instigation of war.

What has this campaign had to say about U. S. military strength?

It emphasizes that China should scorn America's reported military might. It teaches that America is a paper tiger and, if she dares start a war, she will suffer worse defeat than Hitler and Japan.

Do the people believe this?

This question cannot be answered satisfactorily so long as Chinese communists are in power and the

anti-American policy remains unchanged. One might raise the question of whether or not American friendship and influence in China in the past 100 years have been a total loss. American missionaries who have lived under the communists report many evidences of friendship between the suppressed Chinese and the United States. Thousands of Chinese have been in contact with these missionaries and educators in China. Other thousands have been to American universities, cities and homes in this country. Some of these people have been liquidated and the communists are doing their best to brainwash the others.

There is no doubt that American economic, political and cultural influences in China have greatly diminished.

Do the Chinese people resent the communists?

A public opinion poll in China today would not register the real sentiment of the people toward Russia—or toward America, for that matter. Fear keeps people from expressing their real sentiments. Spying penetrates even the family and communists have taken great pains to liquidate secret organizations which do not support them.

Back in 1949, some 3,000 agents lost their lives in trying to collect taxes for the regime. This resistance continues.

Yet there is a certain amount of idealizing Russia.

What groups are loyal?

The 5,000,000 or 6,000,000 members of the Communist Party are loyal. They are the privileged elite. People of the military forces have been made a group with special privileges. This generates loyalty among them.

Also loyal are many who are prof-
(Continued on page 97)

TOMORROW'S LEADERS

MARTIN MCNILLAN ROBERT



Civilians and officers of the armed forces swap ideas at luncheon in the Ft. McNair Officers' Club

The National War College, little-known but vital in our security program, grooms candidates for tomorrow's top military and civilian posts

BY CARROLL KILPATRICK

EVERY tourist in Washington knows the location of the White House, the Pentagon and the Capitol. But not many know where the National War College is located or the part it plays in their own security.

In spite of this anonymity, the College is one of the country's most impressive and important institutions. There are a number of proposals to expand it or to use it as a model for the creation of similar institutions.

The National War College is one of the youngest educational institutions in the world. Here each year 130 of the most promising men in the foreign and mili-

tary services are trained for top command and ambassadorial posts.

The military has long understood the need for such advanced training.

A plaque on the wall at the National War College says that in 1927-28, when the building was occupied by the Army War College, D. D. Eisenhower, major of infantry, received instruction in advanced concepts of war. One of his instructors was G. C. Marshall, Jr., lieutenant colonel of infantry, on assignment from the Army's War Plans Division.

President Eisenhower, in addition to his training at West Point, is also a graduate of the Infantry Tank School, the Command and General Staff College, and the Army Industrial College. Other generals have had similar advantages. Our success in World War II was the direct result of this intensive schooling.

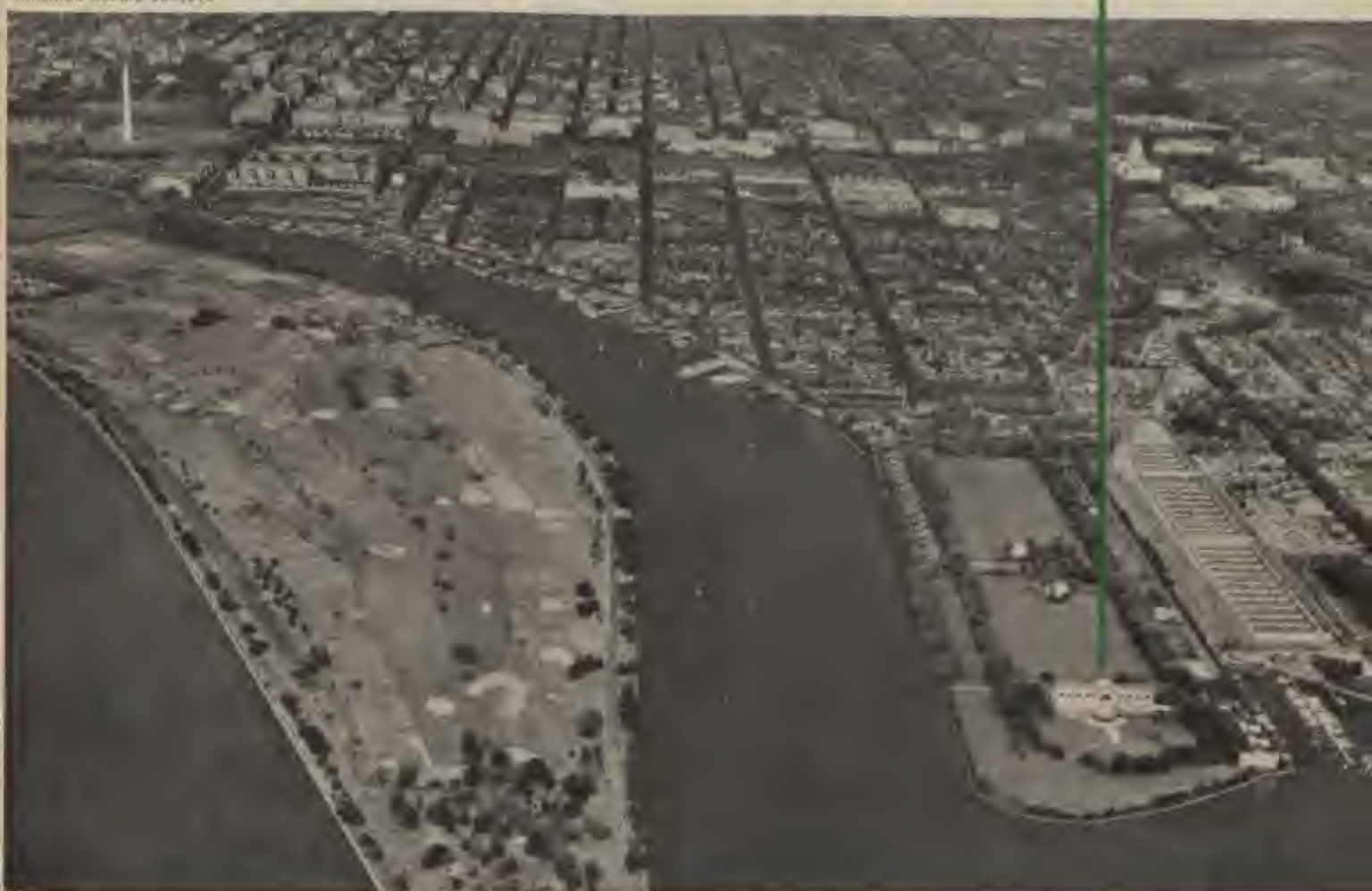
But similar training was not available for civilians.

Among the men who saw this as a national weakness were the late James V. Forrestal, Admiral William F. Halsey and Vice Admiral Harry W. Hill.

It was Admiral Hill who, in February, 1946, asked General Eisenhower, then Army Chief of Staff, to turn

LEARN THEIR TRADE

FRANCIS A. MURPHY



The college occupies a scenic point of land. In a nearby building, the Lincoln conspirators were tried

the building of the Army War College at Fort Leslie J. McNair in the District of Columbia over to a new school for training of civilians as well as military men.

General Eisenhower knew from his own experience the value of such adult education. While Adm. Hill was still in his office, he telephoned Admiral Chester W. Nimitz, Chief of Naval Operations, to make sure of his approval since the new school was to operate under the Joint Chiefs of Staff.

Admiral Nimitz was enthusiastic, and General Eisenhower promptly ordered the building which had housed the Army War College to be turned over to the new institution. The Army War College was moved to Carlisle Barracks, Pa., and the first class of the National War College was enrolled in August 1946. It had distinguished leadership. Gen. A. M. Gruenther, now NATO forces commander, was deputy commandant and George F. Kennan, later to be ambassador to Russia, was deputy for foreign affairs.

The purpose of the college is to prepare military and diplomatic officials for high policy and command and staff functions, to train them for strategic planning duties, to promote the development of under-

standing of the agencies of government, to survey the factors of power that are essential to a national war effort, and to show how the strengths of the nation may be harnessed to achieve a desired end. Its purpose also is to train the various armed services to work with each other and with the civilian agencies as they must do in the National Security Council, in a foreign embassy, or at an important military base overseas.

There is no longer any sharp dividing line between military and civilian responsibility. A commander of an American air base in North Africa is in a real sense an American ambassador also. The director of the military assistance program in Spain must be an expert in business as well as in diplomacy.

Military students at the college—mostly Army and Air Force colonels and Navy captains—are introduced to the complexities of national policy making. Their daily contacts with civilians, and the civilians' daily contact with them, make for broader appreciation of each other's duties, needs and thinking. One naval officer in this year's class has had almost nothing but submarine duty, but he has obvious qualities of leadership and the War College will give him a needed



PHOTOS BY MARTIN MCILLAR/AGENCE



Navy Capt. Burl L. Bailey gathers facts for an afternoon discussion period

Car pools are encouraged so that students may exchange ideas while riding to school. All have already demonstrated qualities of leadership

opportunity to broaden his outlook by study and association with men of varying points of view.

The year does much to bring the three services together. Friendships are formed which are invaluable in solving day-to-day problems. John D. Hickerson, now Deputy for Foreign Affairs, tells how, when he was Assistant Secretary of State, a problem arose involving the Army: "One of my assistants said, 'I know Colonel Smith, who was with me at the War College; I am sure he can help.' Colonel Smith was not involved in this particular problem, but in a matter of hours these two men worked out a difficult matter to everyone's satisfaction."

Each year's students are carefully chosen because they show potentialities of leadership. There are approximately 30 officers from the Army, 30 from the Navy (including six Marines and one Coast Guardsman), 30 from the Air Force, 30 from the State Department, three from the Central Intelligence Agency, and normally one or two each from Treasury, Commerce, Budget Bureau and Foreign Operations Administration.

Their term is for ten months—from August to June. The faculty is composed of about 15 officers, some of whom are graduates of the college, and five or six civilians, some of them university professors on leave. Lt. Gen. Howard A. Craig of the Air Force is commandant—the third since the college was founded. He serves for three years, and the commandant's position rotates between the Army, Navy and Air Force. Under General Craig are two Deputy Commandants—Maj. Gen. Clovis E. Byers of the Army and Rear Admiral Chester C. Wood of the Navy (a graduate of the college)—and Mr. Hickerson.

Since in government work the heavy load of detail and administrative responsibility makes serious reading and study almost impossible, the chief object of the course is to start the students thinking about the

over-all problems of national policy. Every effort is made to jar them loose from stereotypes peculiar to their particular branch of service.

The first step, therefore, is to create an easy and informal atmosphere. Car pools are encouraged so that the students have opportunity for informal discussion while riding to and from their homes. Service identifications are lost when the student dons civilian clothes—required except for members of the faculty. Social and sporting events are encouraged.

The college does not offer courses of study in the usual sense, because these men are assumed to have had a good education already. Rather, every effort is exerted to stimulate the students' interest, imagination and intellectual curiosity by making available the best books, lectures, films and study materials.

"The administration of the college," the outline of work this year says, "tries to place on each individual student the burden of responsibility for his own development. Guidance and advice are offered but are not forced. Encouragement and stimulation are always present but what each individual takes away from the college will almost entirely depend upon what he himself has put into the group effort."

The result is much cross fertilization. The average age of students is 42 years and many are experts in several fields already. During the uprising last winter in Costa Rica a student just back from service there was able to explain the political and military situation in detail. When a lecturer spoke on military problems in the Mediterranean area, he was cross-examined by several men who had served in Turkey, Greece or Italy and knew the political and military problems at first hand.

A number of the officers and several of the diplomats now enrolled served in Korea during the fighting and are intimately acquainted with problems facing the United Nations command.



Air Force Capt. Manford Wetzel finds time to visit school's excellent library



Marine Col. Earl A. Sheeringer uses map. All students must wear mufti



Army Col. Donald G. McLennan researches thesis required at end of course



Civilian John J. Davis studies subject next day's guest lecturer will present

The ten-month program is divided into two semesters of the school.

The first is devoted to a study of contemporary international affairs and American responsibilities and commitments. In 1954-55 this included work on the sources and elements of national power, the United Nations, problems of international law and military forces. There followed a series of area studies—on the Soviet Union, the British Commonwealth, Africa and the Middle East, the Far East, and the Western Hemisphere.

Emphasis in the second semester is on the development of a national security policy in accord with current realities and the development of the military, political and economic policies necessary to support it.

At the end of the year, the school is divided into four groups for flying trips overseas. One group this year will go to the Middle East, another to northern Europe, a third to Latin America and the fourth to the Far East. The trips take three weeks, and the students visit military installations, American embassies and other points of interest. Since the men making these trips have spent the preceding months carefully studying the military and diplomatic problems of the area, they are well equipped to profit from on-the-scene visits. The trips are an appropriate climax of the year's study.

After the return home, the last few days are devoted to comparing notes and discussing the lessons learned from the overseas visits.

The normal day at the college begins at 8:30, with the first half hour set aside for reading *The New York Times* or *The Washington Post and Times Herald*. Newspaper reading is essential because only by following news developments can a student take part in daily discussions.

At 9 o'clock students and faculty attend a 45-minute lecture. Here the speaker may be a member of the faculty but usually is a visitor. This year's list has included the British and Dutch ambassadors in Washington; James Burnham, the author; Prof. F. S. C. Northrop of Yale; Sen. John J. Sparkman of Alabama; David Lawrence, editor; Charles Burton Marshall, former State Department policy planning officer; Harry Schwartz, *New York Times* specialist on Russia; Allen Dulles, director of the Central Intelligence Agency; Clare Booth Luce, Ambassador to Italy; James B. Conant, Ambassador to Germany; the mem-

bers of the Joint Chiefs of Staff and most of the Cabinet officers. The lectures are off the record to encourage frank speaking. At the end of his remarks, the speaker submits to questions from the floor for about 30 minutes. Since some of those in the audience are almost as expert on the subject as the speaker, a lively debate often develops.

After the question period, the students are divided into 11 discussion groups to continue a probing of the lecture subject. These are (Continued on page 54)

Visual Aids Branch hangs a map which it has prepared for use by a guest speaker. Sometimes films are used. Chief complaint of students: There is too little time to read



YOU'RE LOSING \$86,600,000 A WEEK

By CHARLES B. SEIB

THIS WEEK a large corporation in which you are a stockholder went another \$86,600,000 into the red. Last week it did the same, and next week it will do it again, despite the fact that it is operating in an era of unprecedented prosperity.

The corporation, of course, is the federal government, and the debt is yours, your children's and your grandchildren's.

With no sign that the debt is going to shrink, there are disturbing signs that the government's obligations are actually fantastically larger than its published figures indicate. You, as a stockholder, will want to take a new, close look at the fiscal position of this corporation of yours.

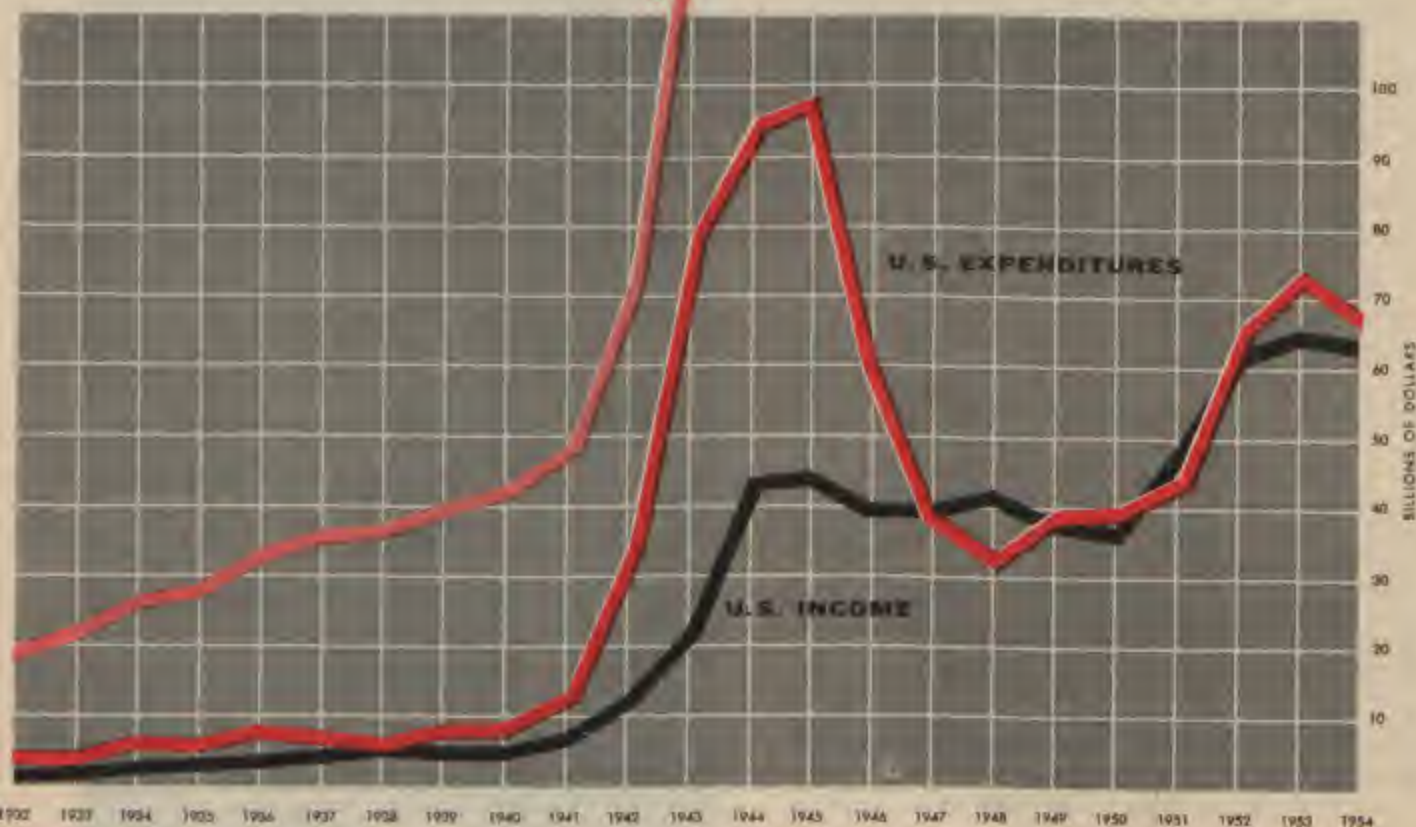
Here are the facts:

The two most prosperous years in our history were 1953 and 1954. According to expert predictions, 1955 will be even better.

Yet in the 1953 fiscal year, which started July 1, 1952, and ended June 30, 1953, the government went \$9,400,000,000 into the red. In fiscal 1954, ending last June 30, it went \$3,100,000,000 into the red.

For the current fiscal year, the latest government estimate is that the red-ink figure will go up again, to \$4,500,000,000. For the year beginning next July 1, the Administration's estimate is for another deficit of \$2,400,000,000.

The repeated deficits of recent years have forced Congress to approve a \$6,000,000,000 increase in the \$275,000,000,000 debt ceiling. It was a temporary increase, due to expire June 30, but another is inevitable and probably will have to be even larger. In recent months, the debt has topped \$278,000,000,000—close to \$7,000 for the average American family. Heavy spring tax collections will have brought the debt down



NATURAL GAS: HERE ARE THE ISSUES



AP/WIDE WORLD

By **DONALD C. SPAULDING**

THE QUESTION whether the independent natural gas producers should be subject to price regulation by the Federal Power Commission is blazing as hotly as the flames from stoves of 30,000,000 American families who now—literally—are cooking with gas.

For 16 years, after passage of the Natural Gas Act in 1938, gas producers have been exempt from FPC jurisdiction. They have, by FPC interpretation of congressional intent and also by court decisions, been considered distinct from pipeline companies which transport the gas

and from the local distributors who deliver it to the final customers.

The pipelines, by law and tradition, have come under the regulatory authority of the FPC while the distributors have been under authority of state and city public utilities commissions.

Now, however, the picture has been changed. Last June the United States Supreme Court, by a five to three decision, ruled in the now celebrated Phillips case that natural gas producers are, in effect, engaged in interstate commerce and must comply with FPC regulation of prices



This is a public utility: The housewife pays for her gas that is used at the burner tip according to rates that have been established by local or state public utilities commissions



AP/WIDE WORLD

This is a public utility: Because they enjoy a protected, guaranteed market, the nation's gas pipelines have been put under jurisdiction of the Federal Power Commission for rates

BUT IS THIS A PUBLIC UTILITY

The production and gathering of natural gas is a fiercely competitive business. Only one of nine wells that are drilled, on average, yield gas—and drilling costs run from \$100,000 to more than \$1,000,000 per well

they charge pipelines for their gas—whether they or the FPC or the pipelines like it or not.

The decision of the Supreme Court which, judging from current legislative activity in the natural gas field, raises more problems than it settles, followed two earlier rulings bearing on the same case:

► 1. The FPC declined to assume jurisdiction in a dispute between Phillips Petroleum Company and the State of Wisconsin over rates charged by the former to the Michigan-Wisconsin Pipe Line Company.

(Continued on page 82)



EDUCATIONAL PROVISIONS

conceived as cushion against postwar readjustment unemployment, grew to this:

2,600,000 vets have gone to college.
(In 1947 Government was supporting three out of four male students.)

3,700,000 attended elementary, secondary and vocational schools.
(More than 150,000 learned to read.)

2,250,000 were partly supported while they trained on farms or jobs.
Total cost so far, \$16,000,000,000.

Another 1,700,000 will study before the Bill's provisions expire.
Additional cost, \$4,400,000,000.

DEPRESSION BILL BRINGS ROCKET RESULT

Although the GI Bill's benefits are closed to those now entering the services, this wartime measure, passed to meet conditions that didn't develop, will affect 65,000,000 lives

By **MAX FRANKEL** and
MYRON KANDEL

THE G. I. Bill of Rights passed quietly into history this year. The Bill lived 11 years. It leaves 65,000,000 heirs.

When President Eisenhower declared last Jan. 31 to be the end of combat activities in Korea, he fixed at about 21,000,000 the number of men and women with wartime service since Pearl Harbor. All of them are, or will be, when they return to civilian life, qualified for G. I. Bill assistance. By the time they have used up their benefits in the next decade, the Bill will have cost the nation \$30,000,000,000.

For the man entering the armed forces after Feb. 1, 1955, there will be no G. I. Bill. But to a whole generation of young Americans who preceded him in uniform, "G. I. Bill" always will be a household word, synonymous with education, homes, businesses, jobs—an unparalleled opportunity to mend the scars of war.

Since its enactment in 1944 the Bill has been accepted as an unquestioned part of the nation's duty to its returned fighting men. In 1951 it was extended without hesitation to embrace the veteran of Korea.

Few realize or remember, however, that when first passed, the G. I. Bill was a daring, untried measure, an experiment inspired by the plight of thousands of veterans after World War I. Fewer still recall the modest scope of veterans' readjustment plans when they first were seriously considered by Congress in 1944. The patriotic desire to reward the vet, concern over our ability to absorb him into the postwar economy and the obvious political appeal of rolling out a plush red carpet combined to snowball the measure to the proportions it finally assumed.

Early in 1944, some 20 months from final victory,

we were hearing all manner of talk about our postwar fate. A nation already confident of winning the war was troubled by the problems that peace would bring. The man in the street was telling George Gallup that if he could go to a White House press conference, he would ask these questions:

"How will we avoid a depression after the war? . . . Will the soldiers be able to find work? . . . Will my wages be cut when peace comes? . . . What is being done to make sure that people won't have to go on relief again?"

Experts in and out of government agreed that reconversion would not be painless. Their biggest concern was unemployment. Estimates in Congress of the number whom the change to peacetime production would leave idle hovered around 8,000,000. Some ranged as high as 19,000,000. No one knew how long such unhealthy unemployment would last, nor what was in store after readjustment. Economists had memories of a peacetime America with never more than 47,000,000 jobs. The postwar need would be for close to 60,000,000.

They knew, too, that at the end of World War I the transition to peace had been clumsy and costly. Within a year 4,000,000 soldiers had been discharged with carfare home and \$60 in cash to face inflation, followed by a violent slump. This time there would be 15,000,000 veterans and some 30,000,000 war workers.

In this atmosphere we conceived a bill of rights for G. I. Joe and G. I. Jane.

The G. I. Bill of Rights projected the government into the personal lives of nearly all World War II and Korea veterans and their families—two out of five

Americans. It mushroomed into so vast a program of relief, welfare and rehabilitation that its full impact on the nation's life and economy has never been and never will be fully measured.

But we do know—now that the numbers of its beneficiaries are firmly set—how many millions of men used the Bill's various provisions and we can estimate how many billions of dollars it will finally cost.

G. I. Bill benefits were made available to 15,400,000 veterans of World War II, 2,750,000 who served in the Korean conflict but not in World War II, and some 3,000,000 still in uniform.

Under the Bill, thus far, 6,300,000 veterans have gone to school for from one day to four years at government expense. Another 1,700,000 will study under it before its provisions run out. Already 2,600,000 have been to college (at one time, in 1947, the government was supporting three out of four of the nation's male college students) and 3,700,000 have attended elementary, secondary and vocational schools, more than 150,000 of them learning to read and write. An additional 2,250,000 were partly supported by Uncle Sam while they trained on farms and in jobs.

The subsistence, tuition, books, supplies and fees of these 8,550,000 student-veterans so far have cost the U. S. about \$16,000,000,000. We will spend another \$4,400,000,000 for education and training before the Bill's provisions expire.

No one knows how many vets would have abandoned rifles for books had there been no G. I. Bill. An Army survey in the course of the war concluded that about 1,100,000 would go back to school even without government aid. The survey (Continued on page 62)

LOAN PROVISIONS

not in original bill, did this:

Government helped build

1,363,000 homes (14.5 per cent of new homes started between 1946-1954)

2,000,000 other families had financial help in remodeling old homes.

Government credit backed half the \$28,000,000,000 vets borrowed to go into business or buy farms.

12,500,000 vets collected \$3,975,000,000 in unemployment checks.

PHOTO BY EDWARD BONES



BOATING BOOMS TO BIGGEST U.S. SPORT

30,000,000 Americans—equal to the total participants in golf, tennis and bowling—will be afloat in some 5,000,000 pleasure craft this year

By **STANLEY FRANK**

PHOTO BY TIMOTHY L. LEE





BERNARD HOFFMAN

THE lure of blue water has been enticing men ever since women began to talk and has made boats classic havens for the wonderful eloquence of silence. A phenomenal boom in boating today still reflects man's mounting urgency to flee the incessant yammering of shore life but the stampede to the water has been given impetus by a trend that is as significant as it is implausible. The women are going along.

Wives are sacrificing such earthly necessities as maids, fur coats and Hollywood bathrooms and are adopting boats as their second homes. Since silence always has been abhorrent to women, the girls must be seeking the spiritual therapy men derive from boats. And they must be finding it, too.

Manufacturers of marine equipment say family groups will comprise the bulk of the 30,000,000 people afloat in pleasure craft this year. That figure, the industry points out, equals the combined total of active participants in golf, tennis and bowling, establishing boating as America's most popular sport. Sales will exceed \$1,000,000,000 for the second straight year and business is splendid.

A boat satisfies the need for something a good deal more basic than fun and relaxation. It is even more than an escape hatch from the pressures and complexities in this best of all possible worlds. A boat enables a man to achieve, if only briefly, complete independence and self-sufficiency.

A man at the wheel of a 40-foot cruiser or the tiller of a 12-foot outboard is the captain of his soul as well as his ship. He is returning to fundamentals, meeting nature on her own terms, and it is immaterial whether he is on the open sea with a well-stocked deep freeze or on a placid pond with a sandwich and a bottle of beer. Released from all restraints except the disciplines of

survival, he has a sense of resourcefulness found elsewhere only at the controls of a plane. Incidentally, most pilots also are boating enthusiasts because they capture on the water the same feeling of freedom they enjoy in the sky.

Record-breaking turnouts at 35 boat shows, some of them in highly improbable places, have demonstrated in recent months that there are no geographical or economic boundaries for the special appeal of boats. At the traditional launching of the annual naval review in New York in January, 4,000 people waited on the street in freezing weather for the opening of the first Sunday session of the National Motor Boat Show held in a gloomy armory in the Bronx, a good three-quarters of an hour by subway from midtown.

The crowd was waiting patiently for the privilege of spending \$1.50 just to look at boats and equipment. There were no free giveaways or entertainment. Boats were the sole attraction, and they were such powerful magnets that the Fire Department twice ordered the doors closed that afternoon to relieve dangerous congestion in the world's largest armory.

In the course of the show's ten-day run, 215,000 paying visitors bought \$15,000,000 worth of boats and accessories. Those figures represented increases of ten per cent in attendance and 25 per cent in sales over 1954, but there were human-interest touches far more revealing than the dead-pat statistics.

Reservations had to be made an hour and a half in advance to inspect the *Wheeler Queen*, a 51-foot cruiser with twin diesel engines bought for \$88,000 by John J. Sparler, a paper manufacturer from York, Pa. Once aboard, the rubbernecks did not put on the expected rush below decks to admire the sleeping accommodations for ten.

(Continued on page 49)



BLACK STONE

AN AUTHORITATIVE REPORT BY THE STAFF OF THE CHAMBER OF COMMERCE OF THE UNITED STATES

AGRICULTURE

Farmers are entering another planting season, facing record supplies of grain and cotton in storage and prospects for lower support prices for many of this year's crops. Acreage allotments for this year call for a reduction on the basic crops of more than 5,000,000 acres.

However, action is developing which would reduce some of the tension on these basic commodities. Congress has, in effect, removed the acreage allotment controls on durum wheat and at this writing is expected to increase the cotton acreage by 250,000 to 500,000 acres. Removal of the requirement which makes ACP payments contingent upon compliance with acreage allotments on basic crops is virtually assured. The USDA and Congress are also intensifying their efforts to develop our foreign markets as well as to promote increased domestic consumption.

More national interest is being directed toward conservation and improvement of soil and water resources, retirement of submarginal lands from production of surplus agricultural commodities and establishment of an acreage reserve.

CONSTRUCTION

Construction activity has entered its tenth year of continuous expansion and presents a picture so bright

that many find it difficult to believe it can be true or can last.

The main concern is the high volume of residential building and the huge amounts of mortgage funds making this volume possible. Yet it appears that additional mortgage funds will be available to enable building as many as 150,000 more houses than in 1954.

Should activity continue greatly ahead of forecasts, temporary money stringency could develop and exercise some restraint on building in the second half of the year.

On the whole the prospect is for an even better year than had been forecast.

CREDIT & FINANCE

Debt—public and private—and its relation to the economy is the subject of loud and prolonged speculation. Last year both the government and its citizens went deeper into debt, for the eighth straight year. At the end of 1954, government, business and individuals had accumulated a total debt of \$612,000,000,000. The total is still rising.

The economic impact of this large figure must be measured in terms of its relation to the output of wealth available to meet it. In 1929 total debt equaled 184 per cent of the gross national product. By 1933, debt was 300 per cent of GNP. Last year the percentage was 172.

Next year debt is almost sure to

HOW'S

continue its rise. Government debt, particularly in the states which are financing needed improvements, is certain to rise slightly. Businesses will likely borrow at a somewhat lower rate than in 1954. Increased earnings and depreciation allowances should permit them to squeeze by with less. Individuals, through mortgages and other hard goods purchases, will account for the biggest increase. Estimate for the year—total, up about \$20,000,000,000.

DISTRIBUTION

Retailers, wholesalers, and service managements are adjusting with great flexibility to the new and intensive competitive conditions which characterize today's market place. Orderly forms of marketing geared more closely to the consumer's genuine interest are gradually supplanting price competition. Sales potentials for top quality items are at an all-time high—particularly in home furnishings, apparel, and recreation lines.

Competition is causing tight control on all distribution expenses. Much concern is felt in some quarters about possible government imposition of new expense factors through minimum wage regulation and tax actions.

Although sales volume will be at or near all-time peak levels, maintaining profit and percentages will require more than usual diligence.

Expansion moves, while still timely, will require much greater attention to basic market and area research.

FOREIGN TRADE

The entire free world economy is influenced by the current surge for rapid development of the newly independent nations and other less developed areas.

While this trend is healthy in some ways, too rapid industrialization presents dangers; and for shortcuts to orderly development there must always be a day of reckoning.

Among the practical conditions necessary before undertaking industrialization are: essential raw materials, necessary capital, and the requisite technical personnel; the prospect of adequate markets either at home or abroad; the ability of in-

BUSINESS? a look ahead

dustries thus fostered to survive without uneconomic trade barriers; and private rather than government operations.

Some aspects of ingrained philosophy in the less developed nations, such as the expectation of quick profits, high returns on investment, can be overcome by consistent effort aided by the infusion of private capital investment from the capital exporting nations.

Soundly conceived, industrialization of the less developed countries would help diversify international trade and increase its scope for the benefit of the entire free world.

GOVERNMENT SPENDING

Prospects are brightening for getting the federal government out of its business-type activities. The Administration has declared as a basic policy that the government should produce nothing which the people can produce through private enterprise.

Each federal agency has been directed to appraise its business-type activities to lay the basis for eliminating or curtailing them.

Meanwhile, congressional leaders of both parties are moving for legislation to gain the same objectives. Of particular interest is S. 1003, introduced by Sen. John L. McClellan of Arkansas, Chairman of the Senate Government Operations Committee and a member of the Hoover Commission which is investigating the government's business-type activities. Similar measures have been introduced in the House.

Senator McClellan's bill would 1, establish a general congressional policy against government business activities; 2, set up an appeals agency in the Commerce Department to hear complaints; and 3, control creation of new activities by requiring advance approval by the Bureau of the Budget. The outlook currently is favorable for enactment of the McClellan bill, or a similar measure.

LABOR

One labor organization today holds more than \$250,000,000 in assets. Others hold more than \$100,000,000. These assets come largely from welfare fund contributions. In-

creasing at the rate of several billion a year these funds today constitute a critical investment problem both economically and ethically.

What to do about it is troubling congressmen and senators in both parties.

A Senate Labor subcommittee last year found that abuses were clearly prevalent in the field. A reactivated subcommittee has been holding hearings this year and is searching both for further facts on abuses and for suggestions for curing them.

The House Labor Committee, too, is concerned. Less has been done on the House side, however, and, partly for that reason, no legislation seems likely until at least 1956.

In addition to the basic question of legislation is the further question of how much should be done at the federal versus the state level.

Management and labor leaders share concern over the problem with members of Congress. All citizens have a stake in the outcome.

NATURAL RESOURCES

Action is getting underway throughout the country to solve water supply problems.

Both short-term measures and long-range planning are needed at the local level. Soil Conservation Districts and local watershed agencies in many states are moving ahead under the Watershed Protection Act and the Water Facilities Act passed by Congress last year. These acts make improvements possible in rural areas in cooperation with the U. S. Department of Agriculture.

Federal and state governments are looking ahead to additional legislation to promote soil and water conservation. Clarification and revision of federal laws will be recommended by the Hoover and Kestnbaum Commissions, while 40 or more state legislatures are working on state water laws.

At the national level, two conferences have already been planned. The National Chamber will devote one session of its Annual Meeting to the theme: "Adequate Water Supply for Tomorrow." In December the second National Watershed Congress will convene in Washington to discuss plans to promote soil and water conservation.

TAXATION

A \$20 tax credit for every taxpayer and \$10 for every dependent—if you don't make more than \$5,000 or benefit from the split-income provision; repeal of the individual credit for dividends received; increase in personal exemptions from \$600 to \$700 or \$800 or \$1,000; additional exemption for scoutmasters; give fishermen the same treatment as farmers in dealing with estimates of income tax; permit taxpayers a deduction for tuition expenses incurred in the education of their children through the twelfth grade; repeal the new provision for establishment of reserves for estimated expenses; repeal the new depreciation provisions; permit medical deduction for the cost of wigs for the baldheaded. These are but a few of the tax proposals now being thrown into the hopper for Congressional consideration.

Most of these, obviously, are offered for political advantage rather than as parts of a well considered and currently sound tax program. Politically appealing they may be but the fact remains that they contribute little but confusion to the complex problems of government finance.

TRANSPORTATION

Coordination of services by different forms of transportation appears to be gaining ground. Shippers and carriers are showing a growing interest in its possibilities.

The movement of trailers on railroad flat cars, or so-called piggyback service, is being watched closely in the domestic transport field. The idea is old, but the current interest is strictly new. After getting the green light from the Interstate Commerce Commission last year, at least 22 major railroads began trying it out on an experimental basis.

The going was a little rough at first, but interest soon picked up, and indications point to an increasing acceptance of the service.

The movement of truck trailers on ships in coastwise service is also receiving considerable attention.

Interest of the military services provides a strong incentive for development of joint carrier services. The Navy is contracting for a roll-on, roll-off cargo ship.

BUSINESS POWER:

Who has it Who keeps it

Not only individual businesses, but whole industries rise and fall in the constantly changing pattern of American enterprise **By HERBERT HARRIS**

INVESTIGATIONS and reappraisals of bigness in business have become the fashion in Washington. The Administration itself as well as members of Congress in both political parties are taking part.

The stated purpose of all these explorations is to guard against the possibility that some group in big business is misusing its power just as groups in big government, big labor,

big agriculture may do every once in a while.

One such misuse of power would be an effort to close the doors of opportunity to smaller firms.

Possibly rare examples of this will be found.

But any inquiry into bigness which goes ahead on the assumption that small and big business are in conflict or inherently separate in in-

terests ignores a significant fact of our economy: They cannot get along without each other.

General Motors, for example, does business with some 21,000 subcontractors, suppliers, vendors. They represent a cross-section of U. S. industry and commerce. They range in size from giant corporations in steel, rubber and chemicals to small shops with five or ten employees. About 50 cents out of every dollar GM earns goes to pay this diverse array of firms for everything from Nevada tungsten to Florida tung oil to textiles from Georgia and tacks from New Hampshire. It is no rarity for GM to buy seals and gaskets from such a company as K. William Beach in Springfield, Ohio, which ten years ago was started with \$1,500 in capital, and two employees, the president and a mechanic. Today it has 35 on the payroll, and 25 suppliers of its own.

Similarly, RCA is supplied with rotary switches and walkie-talkie parts by The Grayhill Company in La Grange, Ill., which had 15 employees in 1946 when it obtained its first RCA order, plus engineering guidance. Currently, Grayhill has 70 employees, sells only 17 per cent of its output to RCA, the other 83 per cent to other customers. Moreover, 76 per cent of RCA's suppliers are small business (500 or fewer employees) and of these the 49 per cent that employ 100 persons or fewer receive more than half of the dollar volume of all RCA purchases.

HOW ONE JOB SPREADS TO MANY

Construction of U.S. Steel's new Fairless Works generated orders for 4,200 businesses, including prime contractors, subcontractors and sub-subcontractors. Experience points up interdependence of large and small firms, demonstrates that successful economy needs both



A realistic look at the transactions of any large company shows that they ramify out to a first tier of suppliers who, in turn, depend upon a second tier of their suppliers in a multiplier process not unlike that of nuclear fission.

When U. S. Steel was putting up its new \$400,000,000 Fairless Works in Bucks County, Pa., it had 200 prime contractors, each of whom, on the average, handed out subcontracts to ten other firms. Of this total of 2,000, each was calling upon one subcontractor of his own. Hence, in hiring only 200 firms, to start with, U. S. Steel discovered that it had, in effect, engaged the services of 4,000 organizations. Furthermore, a trace-back on the 2,200 firms (the 200 prime contractors, and their 2,000 immediate subcontractors) disclosed that they were buying materials and equipment from 130,000 other businesses.

Westinghouse had much the same experience in building the world's first atomic engine to power the submarine *Nautilus*.

"For any one firm, no matter how large, to tackle a job of this kind alone would be sheer folly" said the manager of the Westinghouse Atomic Power Division.

In the interests of speed, efficiency and economy, the work was parceled out to 3,028 different subcontractors and suppliers in 23 states—21 per cent large companies, 75 per cent small, four per cent universities and research foundations. Together they received 68 cents out of every dollar of government funds paid to Westinghouse on this project. This interlocking of business segments, in their immense variety, reaches down into every region and community. In Connecticut, for example, the Hamilton Standard manufacturing division of United Aircraft is spending inside the Nutmeg State \$20,000,000 a year with 1,200 concerns, 55 per cent of them small.

A recent survey shows that a new small plant now going up in the area will have 150 people on its payroll and generate sufficient business activity to support about 1,100 persons. Residents in the community who will earn their living directly from this enterprise will need 300 homes, 320 automobiles, the retail services of 30 grocery, drug, department, liquor and other stores, along with barber and TV repair shops, and the professional services of 20 doctors, dentists, lawyers and the like. The purchasing power to be created by the existence of this plant will go to buy, among other things, the produce of 6,000 acres of farmland in the vicinity. Management will be paying out \$50,000 a

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year to local truckers. Over-all, this venture will establish a \$2,500,000 base for state and federal taxes.

However, to focus only on the "chain reaction" character of our business structure is to leave out three other considerations equally vital.

In the first place, any business, of whatever size, is a method for organizing resources, human and material to meet the needs and wants of people for goods and services. To carry out these functions often requires vast aggregates of financial, technical, scientific and engineering capabilities—of a sort that only large-scale undertakings can supply. Somebody has to do this job. Otherwise, we would deprive ourselves of the benefits of modern technology and mass production. Other functions, requiring a less massive organization of resources, can be most effectively performed by small business, often more flexible, adaptable, and better able to specialize.

Our intermingling of large and small business units represents the response of our economic evolution to the challenge of that technological revolution which has been gathering momentum since the century's turn. Certainly without the essential contributions of small business, big business could not prosper. Conversely, big business is good for small business if only because the former, in constantly bringing forth new products, or improving old ones, opens up new opportunities.

In the second place, the United States today is spending about \$3,000,000,000 a year on research—some 80 per cent of it conducted by big business organizations. To develop nylon, for example, du Pont paid \$27,000,000 (Orlon cost \$25,000,000 and Dacron even more) in experiments and facilities. Today, a 1.2 pound package of nylon for a dress retailing at \$50 costs about \$2.00 which is du Pont's total take. The remaining \$48 represents the value added in intervening stages by smaller business—the textile mill which spins the yarn, another which weaves it into fabric, a third that dyes and finishes it, the apparel manufacturer who makes the garment, and the retailer who sells it.

"Du Pont could never have put nylon over without the assistance of small business," C. H. Greenwalt, company president, has declared. And he added "small business could never have made the investment necessary to produce nylon."

In the third place, the claim that the big are getting bigger and the small are getting smaller doesn't jibe with reality. A more honest statement would have to be divided into

four parts: 1, some of the big are getting bigger even though their rate of growth, compared with that of the over-all economy, has not been especially impressive during the past 20 years; 2, others of the big are having their share of the market considerably reduced either by other giants or by up and coming intermediate concerns; 3, some small enterprises are being graduated into the medium-size class; 4, small business establishments are becoming more numerous as there are 261½ firms to every 1,000 people today as against 15 to every 1,000 in 1900.

All this is happening all the time and all at once as new inventions, innovations, initiatives and incentives keep changing the contours of the business map. Ours is not only a dynamic economy. It is also an escalator economy for products, companies, managements, some of them moving up, others coming down, still others holding their own, with their positions shifting throughout the whole procession. Within a generation, older commodities such as wool and cotton have had to fight or make their peace with man-made fibers. Railroads are still bucking cars, trucks, planes. Coal is battling natural gas and oil. Movie makers bemoan the advent of television.

Amid this economic flux and mobility, our rule-of-thumb belief that there is always room at the top has been recently nailed down by the monumental researches of A.D.H. Kaplan, Brookings Institution econ-

omist. He surveyed 20 industries, covering a 40-year period, to compile lists of the 100 leading industrials as they appeared in 1909 and in 1948. His findings showed that, of the 100 foremost corporations in 1909, only 36 were able to retain this paramount status in 1948. The other 64 had either declined in relative importance, or vanished.

In 1909, for example, U. S. Steel, along with 13 other steel concerns, represented their industry on the roster of the 100 largest. But by 1948, only four of them (U. S. Steel, Republic, Bethlehem, and Jones & Laughlin) could be included. In the interval, five lusty newcomers (National, American, Youngstown, Inland and Wheeling) had made the grade. However, on the 1948 register, the nine steel companies (four old, five new) held less than 12 per cent of the total assets of the 100 biggest in contrast to the 30.2 per cent held by the 14 steel firms in 1909. Steel rated third in 1948, having lost first to the petroleum industry, which, in the earlier tabulation, stood as fifth. It was then also dominated by a single company, Standard Oil of New Jersey. But on the 1948 roll-call, Standard had to share its eminence not only with four of its former subsidiaries, operating as independent enterprises, but also with 11 other companies (Texas, Shell, Gulf, Sinclair, Union, Sun Oil, Pure Oil, Tidewater, Phillips, Continental, Skelly) only two of which even existed in 1909.

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"He's a high-pressure, hard-working guy whose first love is his job. Always on the go—never a sick day in his life. Bounds from meeting to meeting. And he travels a lot."

"He says he never takes a vacation. But I know better!"

"You see, he almost always travels by Pullman. I know because I get his reservations and tickets. And when he gets back in town I can see how refreshed and rested he looks!"

"That chance to relax on Pullman trips—to shrug off every last trace of business tension—is a vacation in itself. It's his chance to ease back in the dining or club car and enjoy good food and refreshment. To get a good night's sleep in a private room without a woman's worry about highway traffic hazards or weather."

"Yes, sir—I can always tell when he's had a vacation by Pullman!"



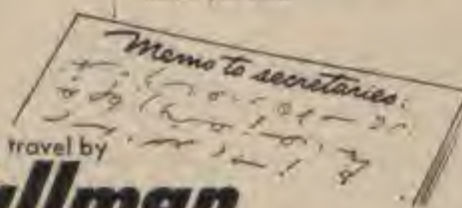
Take a Pullman vacation tonight! Feel that restful peace and quiet. It's America's best, safest, surest, most comfortable, dependable form of travel!



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You're safe and sure when you

travel by
Pullman



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Similarly ascending from fourth rung in 1909 to second on the 1948 ladder was the transportation equipment industry. This was due mainly to the immense growth of four newcomers—three in automobile manufacture (General Motors, Ford, Chrysler) and one in aircraft (Curtis-Wright). Dramatizing the revolution in transport, during four decades, these companies replaced such 1909 stalwarts as American Locomotive, Baldwin Locomotive Works, Pressed Steel Car, and American Shipbuilding. In this whole category of transportation equipment, only three corporations—International Harvester, Pullman, American Car and Foundry—appeared on both lists, but with alterations in rank.

In retailing, Sears Roebuck was the only representative in 1909 but in 1948 had to divide honors with seven other titans (Montgomery Ward, Woolworth, Kresge, A & P, J. C. Penney, May Department Stores, and Allied Stores) which were either unborn in 1909 or infinitely below the level of the uppermost 100.

This same pattern of drastic transformation, of upclimb and decline, of entries by the new and exits by the old, occurs throughout the other 16 industries—from food products to chemicals to machinery—that were also exhaustively examined. Not only does the position of a whole industry shift, but also that of individual companies within it. In textiles, for example, American Woolen and American Thread were on the 1909 list but in 1948 had yielded to two other textile producers, Burlington Mills and J. P. Stevens.

Leather, which had two exemplars in 1909, when harnesses were still in vogue, had none in 1948.

While these data demonstrate that there is always room at the top, they also warn that it is an unsure and slippery location. In some instances, a company's rise or fall corresponds to that of its industry as a whole. In other cases, a company's rate of expansion exceeds that of the industry with which it is identified. In any event, the evidence suggests that to reach the summit, or to stay there, demands unremitting effort, marked by the ability to risk, to pioneer, to diversify, to anticipate and adapt to changing conditions in order to win the consumer's economic vote, that ultimate test of any business, big or small.

To the extent that these things are known, the citizen's political vote will tend to reflect the reality of our business system rather than the rhetoric of election campaigns. **END**

Boating Booms to Biggest U. S. Sport

(Continued from page 41)

the two tiled bathrooms with glass enclosed showers and the stainless steel galley. Instead, they queued up again to go through a little ritual that was as irresistible as the urge to try on a diamond-studded crown for size.

The men stood in a line leading to the bridge and waited their turn to grasp the wheel. Then they stared at the walls of the armory for a few moments, but in their imagination they were peering through ocean spray and scanning the distant horizon for private Shangri-Las. Their wives and kids sat quietly on divans in the salon, lost in their own reveries.

A man wearing a leather jacket and a cap with a union button left the *Queen* after his sojourn in the cockpit. We asked him why he did not go below decks to see the boat's facilities.

"I've got bedrooms, a bathroom and a kitchen," he said. "I know what they're like. You really get the feel of one of these big, beautiful babies when you stand up there at the wheel."

As far as the man was concerned, the luxurious appointments which doubled the cost of the *Queen* were fancy, but familiar, features for utility. The wheel was his castle in the air. Exhibitors have a singularly appropriate trade term for people who patronize boat shows. They call them "dreamers."

"We know 90 per cent of the folks who come to these things can't afford a canoe, much less an inboard cruiser," says Ralph Champney, a dealer from Hampton, Va. "They come to dream of the day they can buy a boat. It's the easiest product in the world to sell. We figure that eight out of every ten people who get on a boat for the first time eventually will be customers when they can lay aside a little money. All a dealer has to do is sit back and wait for converts to come to him. Sooner or later they show up and begin to conform to a pattern."

"A fellow about 40 in the electrical supply business in my territory started in typical fashion two years ago by buying a little outboard runabout. He got tired of hauling it by trailer through the automobile traffic to his summer cottage on Chesapeake Bay, so he sold it and put the money into an inboard cruiser. Now he's already talking of getting a



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\$10,500 boat and living on it a few months a year with his wife after his kids are educated and married."

The electrical man will have a lot of company if he ever achieves his heart's desire. Many middle-aged couples whose children are self-supporting are making their second homes on the water, and you'd be surprised—and envious—if you knew the increasingly prominent role of boats in retirement plans. Improvements in the interior designing of moderately priced boats and the development of low-cost facilities for nautical transients have made it possible for middle-class boat owners to live it up in a style known only to millionaire yachtsmen a generation ago.

There are approximately 5,300,000 small craft in the United States today and 760,000 are classified as cruisers, or boats with sleeping cabins. Cruisers have shown the greatest proportionate increase in sales during the postwar boom and the incredible expansion of marinas indicates that 760,000 owners are taking full advantage of housekeeping conveniences on extended trips.

A marina, for the enlightenment of shepherders in Montana, conceivably the only adults in America who have not heard the word, is a marine motel where tourists can dock overnight or indefinitely. Basically, it is a combination filling station and shopping center for replenishing gas, water and food supplies, but plush layouts at Fort Lauderdale, Fla., and Newport Harbor, Calif., offer hotels, restaurants, tennis courts, public stenographers, and boatyards for major repairs.

Marinas first popped up in Florida in the 1920's for boat owners who could not afford the fees charged by swank yacht clubs. What with the depression in the '30's and the war in the '40's, there probably were fewer than 100 a decade ago. Today, marinas are mushrooming so rapidly along our waterways and coasts that nobody really knows how many there are. At an educated guess, about 1,500 municipal and privately operated installations are servicing a nautical population that has tripled since the war.

Neptune, the most popular of all landlords, is a democratic old codger who accepts tenants without regard for social or economic distinctions. Although marinas originally catered to middle-class transients, many now are floating communities for skilled workers in seasonal trades. Colonies of carpenters, bricklayers, plumbers and other journeymen in the construction field live on boats with their families throughout

the year, especially on the Inland Waterway along the East Coast. When jobs are scarce, they simply pull up anchor and follow the sun until they find work.

There was a time the creature comforts built into small boats were so sketchy that only gypsies would tolerate them, but those days are as obsolete as the free-lunch counter. Medium-priced cruisers no longer have bunks that would make a midge an insomniac. Galleys are minor miracles of efficiency and every company that wants to stay in business is equipping sleep-in boats with adequate plumbing facilities.

Manufacturers frankly admit that boats now are designed and styled to appeal to women, a merchandising gambit the automobile industry has been exploiting for years. In their zeal to get on the bandwagon, some of the boys have gone overboard for gimmicks like "boat-a-ramic" colors, a direct copy of two- and three-tone paint jobs in cars. The outboard motor people even have varied colors that were their trademarks—light blue for Evinrude, light green for Johnson and dark green for Mercury—and are using pastel shades with fancy names that are more appropriate for nail polish than a sturdy piece of machinery. A survey was taken at the New York show to gauge public reaction to the tricking up of motors. Ninety per cent of the men thought it was a good innovation, but 60 per cent of the women said it was nonsense. The logical ladies pointed out that motors get dirty and greasy and are less unsightly when they are painted in dark colors.

There is more to that trivial question of color than meets the eye. Women are notorious for taking a dim view of extravagant whims, except their own. Before manufacturers began to court her, Mama regarded a boat as strictly a masculine indulgence, a convenient excuse for sneaking off to murky goings-on with shady characters. Mama had to be sold on the idea that the sizable dent a boat makes in the average budget is a practical investment for the entire family. Modern housekeeping facilities on cruisers, which save money on vacation trips and promote family unity, did the trick.

Boating can be an inexpensive pastime. The trouble is that the pastime becomes a passion, and that runs into money. Open outboards start at \$550 and sailboats at \$1,000, but few addicts are content to stop there. The big kick of charting trips into strange waters makes everyone a potential customer for a sleep-in boat and that means an outlay of \$1,500 to \$2,500 at the minimum. In

that price range living accommodations still are on the primitive side and the romance of far-off places is a siren call ringing loud and clear, so the intrepid sailor yearns wistfully for an inboard cruiser. Now he is sticking a tentative toe into deep water where prices start at \$4,500 and boats costing five figures are common. Nothing short of inhuman will power or acute anemia of the pocketbook will deter him from taking the plunge. Those brakes are not as strong as they used to be, either, with banks financing time payments on boats this year.

Prices can be cut 30 to 50 per cent by assembling boats from do-it-yourself kits. Fully 100,000 of the 300,000 new craft on the water last year were built from kits and a substantial number were good-sized models from 16 to 23 feet long. The most ambitious project was tackled by Gordon Rynders and Frank Rino, photographers for the *New York Daily News* and the *Journal-American*, who put together a 31-foot inboard cruiser. It took them nine months, but they wound up with an elegant vessel.

New converts hoping to pick up second-hand bargains usually get a bit of a shock discovering that the depreciation of small boats is so negligible that they command close to the original prices. There have been no radical changes in exterior designing in 30 years and the loving maintenance owners lavish on their dreamboats further helps to keep resale values on a steady keel. Boats are made today with slightly shallower drafts and wider beams for easier handling and cheaper fuel costs, but otherwise it's difficult to differentiate between a 1955 model and a seaworthy old-timer spruced up with a fresh coat of paint.

The chief factor in sustaining peak prices is the oldest and strongest one of all—the law of supply and demand. The boat market is a direct throwback to the scramble for old and new cars in 1946 and '47. Even custom boatbuilders, who give the back of their necks to clients with less than \$100,000 to spend, are awash with a backlog of orders. John Trumpy and Sons, of Annapolis, Md., a firm that handles nothing under 50 feet long, is a year and a half behind deliveries. Boatyards catering to the *bon ton* never had it so good when the world was Wall Street's oyster and income taxes were a slap on the wrist instead of a ball bat between the eyes.

"Corporations able to write off the cost and upkeep of big boats as legitimate deductions for business entertainment are keeping us busy."



Did you ever hear of Montague, Mich.?



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Something big is happening in this once-quiet little town – it is well on its way to becoming one of the country's great chemical centers.

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Now duPont and Union Carbide are moving in next door. Altogether there are over 31 million dollars worth of new chemical plants built or on the drawing boards in Montague and probably more in the offing.

Somewhere there is a site as ideal for your plant as Montague proved to be for Hooker. And it is our business to help you find it.

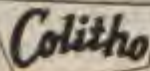


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a man from Trumpy's confided. "Few individuals even in the higher tax brackets can afford the luxury of maintaining the type of boats we make. At that, even large corporations are going in for comparatively modest 55-footers that sell for about \$125,000. It will be a long time before we get another order for a 126-foot cruiser with seven double state-rooms, quarters for a crew of 12 and a third deck for the mess and entertainment staffs. It would cost \$500,000 to duplicate her today."

Contrary to general belief, the most palatial private boat ever built was not J. P. Morgan's 300-foot *Corsair*, which wound up on the rocks, symbolically, a few years ago as a commercial cruise ship. Several boats afloat today are bigger and more pretentious.

Such ostentatious crates are museum pieces of a snobbish era when no boat less than 40 feet long was classified as a yacht. Today any craft used for pleasure is called a yacht. Since the purest pleasure is the satisfaction of achievement, the fellow who explores new horizons in a skiff hitched to an out-board motor is a yachtsman in a truer sense than the tycoon who is merely a passenger on a boat operated by professionals.

That pleasure has been brought within reach of 30,000,000 Americans by a magnificent system of connecting waterways, canals, inlets and rivers. An amateur navigator can sail a small boat from Brownsville, Tex., to Duluth, Minn., a voyage of 6,000 miles around half the perimeter of the country, protected from the open sea except for a 26-mile stretch. En route, he will pass through the most beautiful and exotic scenery this side of the South Seas.

Starting at Brownsville, the Gulf Intracoastal Waterway extends 1,000 miles to Carrabelle, Fla. At the tip of Florida the Keys lead into the Inland Waterway, which follows the Atlantic coast for 1,500 miles. The government began to develop this vast channel in 1828 for commercial vessels and that was virtually the sole use made of it for a century. Thirty years ago there were only four docks for small craft on the Inland Waterway north of Palm Beach. The traffic is so heavy today that the big ditch is getting to be almost as congested as Route 30 on a holiday week end.

At Manasquan, N.J., the northern extremity of the Inland Waterway, there is a tricky 26-mile run on the ocean to New York Bay, but once past that obstacle there is smooth sailing ahead in summer. The sightseeing sailor can make a detour to Long Island Sound and

the historic New England coast or continue on the grand tour by going on up the Hudson River to Lake Champlain, which links up with the St. Lawrence River. The last lap of the voyage is a trip through the Great Lakes to Duluth.

For Pacific Coast addicts who have no access to inland routes, the high road to adventure is the 900-mile run from Puget Sound to Alaska. Facilities for transients are catch-as-catch-can, but the rugged trip can be made safely in good weather through the network of islands off the Canadian coast.

The great stimulus that has tripled the nation's nautical population has been the tremendous increase in inland navigable streams created by federal flood control and hydroelectric projects. Clinching evidence of the universal appeal of boats is found in the sudden surge of activity in landlocked areas adjacent to the TVA, Hoover Dam, Missouri River Basin and scores of federal watersheds.


Completion of the St. Lawrence Seaway in 1959 will offer additional boating opportunities. The 145-foot long Sault Spillway Dam near Massena will cause the flooding of large areas up river, creating a large lake about 30 miles long and four miles wide.

Another tipoff is the widespread demand for free courses in piloting, navigation and naval customs given by the United States Power Squadrons and the U. S. Coast Guard Auxiliary. The U.S.P.S., for instance, recently inaugurated courses in the Missouri Ozarks, Arizona and Oklahoma and now is considering starting local squadrons in Montana and New Mexico.

These sections are far away in geography and tradition from Long Island Sound, Chesapeake Bay, Miami, Lake Michigan and Puget Sound, where 95 per cent of the country's small boats were concentrated a few years ago. As a matter of fact, some of them are overnight hauls from fair-sized bodies of water, but that detail never has been known to stop victims bitten by the water bug. They simply hook boat trailers to their cars and drive until they find launching sites. In 1947, the grand total of 3,790 trailers had been sold. This year more than 100,000 will be on the roads and, of course, sending new converts to the water for relief.

The way things are going, docking berths soon will be as scarce as parking space at the curb of a movie giving away free dishes, and including Miss Marilyn Monroe. Anyone for rocket ships? **END**

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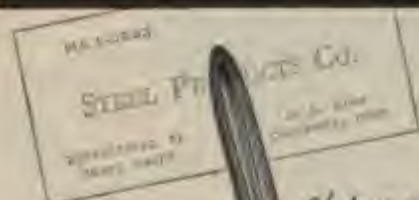
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Tomorrow's Leaders Learn Their Trade

(Continued from page 31)

informal discussions over coffee led by faculty members with the visiting lecturer usually attending one of them.

Before the lecture, the student has prepared himself by reading assignments and using the excellent maps, graphs and other illustrative material the college provides. The visual aids branch may also prepare charts and maps for the lecturer's use, and sometimes illustrative films are shown. An Army lecturer, for example, might show secret films on guided missile experiments.

True to good military tradition, the physical side is not overlooked. From 11:30 to 12:30 there is a break for sports. Each student is encouraged either to play golf on the nine-hole course surrounding the college building, or squash or handball in the basement gymnasium. Tennis courts also are available, or the student may sit on a bench by the river and think.

All persons assigned to the college have the privileges of the Fort McNair officers' club and most of the staff members and students go there for lunch.

Afternoons allow some time for reading in the excellent library but the major criticism of the college is that it does not leave the student enough time for reading and research of his own. Students read at home at night and on week ends but nearly all of them have the usual family demands on their time. Opportunity for leisurely reading in the library is limited.

Part of the afternoons are taken up with committee work. The student body is divided into 20 committees with the services equally represented. Each committee has its own room and a specific assignment. As a unit, it prepares a "position paper" of about 4,000 words every three weeks. This joint effort of the group deals with some important foreign or military policy.

For example, one committee recently was told to assume that it was the staff of Chou En-lai and was responsible for preparing him

for talks on Formosa at the United Nations. Another committee prepared a briefing paper for Russia's Molotov, another for the British and another for the French representatives. Other committees prepared papers for use by the United States delegate.

There is much banter over what an unsuspecting FBI agent might think if he found in someone's brief case these carefully prepared papers for Chou or Molotov. But the college knows that only when the opponent's point of view is appreciated and ably stated can the American case be argued persuasively.

After the faculty studies these papers some of them are read before the student body and criticized.

Every three weeks the committees are reshuffled so that, in the course of a year, each student has a committee assignment with almost every other member of his class.

In addition to the committee papers, each student is required to submit by the end of the year an individual thesis of approximately 20,000 words on some subject of his own selection relating to a national security problem. These are similar to a university thesis submitted by candidates for a master's degree and each student makes an oral presentation to a faculty group on the subject of his thesis.

The War College is not concerned with the mechanics of staff operations, tactics, or routine history or geography courses. The three services all have their schools for tactics and strategy. The National War College emphasis is on grand strategy, or national strategy, and the object is to force men to think critically about the basic problems facing the United States. It is training men for jobs that require statesmanship as well as technical skills.

According to this year's outline of study, the class is asked this basic question: "Accepting the world conditions in which we live, what are the national objectives of the United States and how can we best achieve them?"

From the beginning the college

has insisted on absolute freedom of discussion. There would be no difficulty here in debating whether the United States should recognize Red China—or whether preventive war would be desirable. Indeed, there is no place in Washington where the atmosphere is freer or where men are more deeply committed to a search for truth without regard to prevailing prejudices.

One of the chief faculty members in uniform said he would rather see the school closed than to retreat one inch from the position of complete freedom of discussion and inquiry. This is part of the tradition that has been developed in the nine years that the college has been operating.

The very location of the school away from the center of the city helps create the academic atmosphere necessary for objective study. Elihu Root, Theodore Roosevelt's Secretary of War, was the real creator of the Army War College and of the fine building that housed it from 1907 until the National War College took over in 1946. The lobby has a plaque telling the story:

"Because of the special interest of Elihu Root, Secretary of War, creator of the General Staff of the Army, this building for the Army War College was authorized by Acts of Congress approved June 30, 1902, and April 23, 1904. Cornerstone laid February 21, 1903, building occupied June 30, 1907."

The building stands at the south end of the parade ground at Fort McNair, formerly Fort Humphreys. It is on a peninsula at the junction of the Anacostia and Potomac Rivers. The fort is the home of the Army Band and is used for training of officers and men who guard the Washington area and participate in ceremonial functions. There are homes for faculty members on the fort but students live in their own or rented homes in various parts of Washington.

One of the oldest buildings on the fort—a red brick house near the center of the parade ground—was the scene of the trial of the Lincoln conspirators. Mary Surratt and three others were hanged in the yard of this house, then a military prison, on July 9, 1865. The body of John Wilkes Booth was brought here and buried under one of the cells until removed to Baltimore.

The need for "a governmental school of foreign affairs for civilians in government which would develop men and women capable of insuring civilian domination in the conduct of our foreign relations," has been stressed by many people, among them John J. McCloy, now chair-

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man of the Chase National Bank, former Assistant Secretary of War and High Commissioner to Germany. "Some form of institutional training should be devised to stimulate the qualities needed by our Foreign Service officers," Mr. McCloy has said. "The breadth of thinking in political matters at the National War College is impressive. But the State Department ought to have a similar institution where the primary emphasis is civilian and to which the future generals may repair to receive training in political and economic studies."

Great Britain established its war college nearly two decades before the United States did. The Imperial Defense College, started in 1927, is the prototype of the National War College and of similar institutions on the continent and in Canada.

Another proposal has come from Eugene Zuckert, former member of the Atomic Energy Commission, who has drawn an extensive plan for a National Administrative College similar to Britain's Administrative Staff College at Henley-on-Thames. Mr. Zuckert wants an institution near Washington "for improving the management of our large federal government by improving its managers and potential managers."

To this institution he would send top-level civil servants below the rank of presidential appointment, military men of general and flag rank, a few members of Congress and a group of businessmen who might be called on for government service in an emergency.

The gravest shortcoming at present in the view of many Washington officials and of the Wriston committee which studied the State Department for President Eisenhower, is in the training of Foreign Service officers. As former Under Secretary of State Walter Bedell Smith said, the training of special aptitudes for the Foreign Service, such as languages, has "reached a sort of all-time low," and the service in general is "a little below rock bottom."

An improved Foreign Service Institute, which gives technical training on the level of the armed forces tactical colleges, and a new higher institution on the model of the National War College would improve morale and help prepare civilian leaders for the long cold war that seems to face the nation.

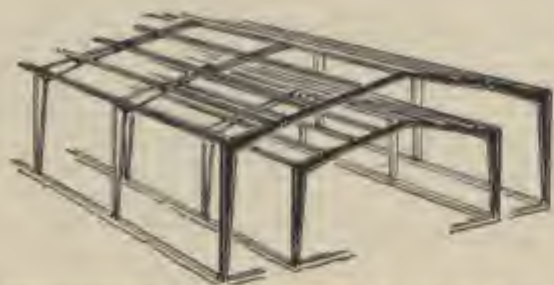
The National War College has pioneered in this field.

It has given 130 men a year an opportunity to study and think about the policies which our peace and security demand.

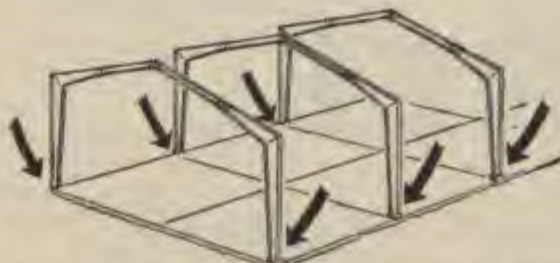
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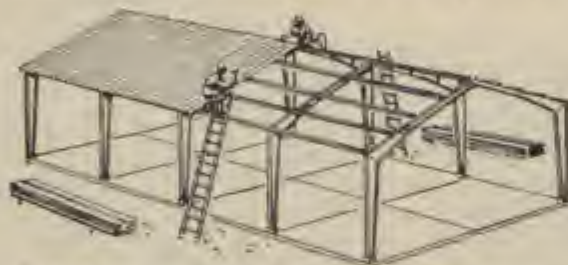
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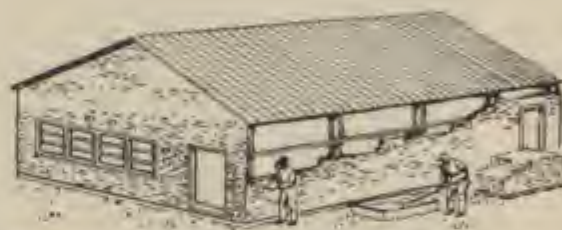
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GEORGE LOHR

FREE: road maps worth \$7,500,000

THE NATION'S oil companies are getting ready to give away at least \$7,500,000 worth of road maps in the next few months.

Plans for this giant travel aid are based on expectations that, as summer approaches, a record number of motorists are eager to hit the vacation trail.

Companies last year handed out more than 150,000,000 free maps. More will be given away this year.

The great handout—together with motor club maps and maps bought from stores—comes close to providing one map for every man, woman, and child in the country. Distribution, of course, isn't even—as the five maps in your glove compartment prove.

This annual harvest of maps, which most motorists take for granted, is a unique American institution, unmatched in any country.

U. S. road maps date back more than six decades. The ancestors of today's four-color charts were simple maps of local conditions prepared for ambitious cyclists. One of the earliest, "The Cyclist's Road Map of Connecticut," came out in 1888.

An early road map for automobiles was published in 1895 in the *Chicago Times-Herald*, which sponsored a race to Waukegan and back on Thanksgiving. The race was won by auto pioneer J. Frank Duryea in a car designed by him and his brother, Charles.

The first maps for tourists were accompanied by written descriptions of the route and pictures of noteworthy landmarks. These travel aids—maps, text, and pictures—were combined in guide books which were sold to the public, some for as much as \$5.

Rand McNally was one of the pioneers in marking roads, using cardboard symbols on telephone poles. Painted markings were adopted later.

The first state to number any sizable portion of its roads was Wisconsin, which labeled 5,000 miles of

highway in 1917. Other states soon followed suit. The U. S. highway system was begun in the middle 1920's by the American Association of State Highway Officials.

While the distribution of road maps is today almost an exclusive oil industry feature, others interested in promoting auto travel were once also in the touring aid business. In 1905, Hartford Rubber Company published a guide book for the northeastern states which sold for \$2 a copy. A few years later, the White Motor Company came out with a series of White Route Books covering various sections of the country, and for three years—1912 to 1915—the Goodrich Rubber Company gave away route books.

Oil company distribution of free maps dates back to 1913 when a Pittsburgh advertising man sold Gulf Oil on the idea as a promotion stunt in that area. Ten thousand maps of Allegheny County mailed out the first year were so popular that 300,000 maps of the whole Northeast were made the next year.

Today, almost all oil companies are in the map business.

Rand McNally prints road maps for a number of oil companies. Other large map makers in the field are the Harry M. Gousha organization and General Drafting Company.

Publication of each year's new maps is timed to have them available when people begin planning vacation trips. So up to date are some maps that they come in two editions, one early in the year to serve the early planners and one about July reflecting more recent highway changes for the summer travelers.

New maps may require as many as 15,000 changes each year to bring them up to date. Information comes from many sources, notably the state highway departments, chambers of commerce, trade associations, government bureaus, trade journals, timetables, census reports, and government maps.

Making the map itself is a ticklish task, demanding the patience of Job and the deftness of a diamond cutter. Each original map is assembled by hand, the town names, highway numbers and other pieces of print being individually pasted onto an original which is assembled every three or four years.

Corrections during that period are made on a glass negative used in making the printing plates. A separate negative is made for each color.

One of the tricks of map making used to be the insertion on each map of an error—a misspelled name, for example—which would enable a map maker to catch any tricksters trying to copy the map for cheap resale.

Many companies provide tour services which will plan a whole trip for a traveler. Trip planners explain that too many people try to crowd more mileage into a short vacation than time will allow. They try to scale down overambitious plans.

Other tourists want to avoid turnpikes. "My car won't go 90 and the wife yells when we go faster than 40." These motorists are reassured that breakneck speeds are not required on superhighways.

Route services get many requests for maps and routes. Asking a route, one Indiana citizen wrote, "Please rush this information as we were married last night and are waiting to start the honeymoon." The information was sent immediately by understanding trip planners.

Everybody wants road maps. This doesn't bother the oil companies a bit. The more maps, the more traveling. More traveling means more sales.

The nation's oil companies and their map makers are ready. U. S. motorists can pull into any service station in the country and get all the answers they want—free.—ROBERT BRUCE



"Drawing card..."

That's what W. L. Gates, owner of Wayne, Michigan's two largest furniture and appliance stores, calls his handsome new Worthington air conditioners.

And judging by the increase in sales since the quiet-running Worthington units were installed, Mr. Gates hit the nail on the head. Not only do more customers come in, stay longer, and buy more, but the Gates' sales-

people do a better job now that they're cool and comfortable all year-round. The always-dependable Worthington units do away with troublesome dust and excess humidity, too.

For the whole story on the economical, draft-free Worthington air-conditioner, see your Worthington dealer or write for new fact-filled booklet to Worthington Corporation, Section A.5.18-N, Harrison, New Jersey.

A.5.18

WORTHINGTON



Climate Engineers to Industry, Business and the Home

Depression Bill Brings Rocket Results

(Continued from page 39)

found that the condition of the post-war labor market, as well as the availability of federal assistance, would be the key factors in their decision. It cautioned, however, that a sampling of intention in the midst of war might be unreliable.

G. I. loans, partially guaranteed by Uncle Sam, helped build 14.5 per cent of the 9,400,000 new homes started in the U. S. in the years 1946-1954. Last year one in four new houses was financed with a G. I. mortgage. More than 2,000,000 other families had government backing to buy or remodel existing dwellings. Three hundred thousand veterans took G. I. loans to go into business or buy a farm.

The government placed its credit behind more than half of the \$28,000,000,000 so far extended to the vets in these loans. It has had to make good on only about one per cent of that amount. The ex-G. I.'s to date have repaid \$6,500,000,000.

Countless others, of course, were able to obtain financing without government backing. Here again, there is no way of measuring what might have been without the Bill.

The "52-20 Club" and its Korean counterpart cost us \$4,000,000,000. In the first 12 months after V-J Day, when 10,000,000 men were discharged, the Club was perhaps the most popular feature of the G. I. Bill. In all, 9,000,000 World War II veterans drew \$20 a week in unemployment checks for a total of \$3,800,000,000. The average vet collected his check 19 times; only 900,000—ten per cent—picked up their full quota of 52 twenties. Of the 3,500,000 Korea vets back in civilian life, 500,000 have drawn \$175,000,000 in unemployment pay, the average man taking 13 weekly checks of \$26. Only 77,000 came for the full 26 weeks.

The G. I. Bill was a new approach to veterans legislation in the U. S. because of these three radical programs. For the first time Uncle Sam assumed direct responsibility for getting the returned soldier back to school, guaranteeing his business, farm and home loans, finding him a job, or, that failing, supporting him through the days of unemployment.

In the uneasy days of 1944 the Bill was envisioned as a cushion against the difficulties of readjustment. It would keep the vet from rushing frantically to employment offices to fight his former buddies for the relatively few jobs available in a change-over economy. With \$20 a week in pocket money, he would take the time to plan his future, and, whatever dream he fashioned, he could count on the government's help. The writers of the Bill did not count on the sudden and prolonged prosperity that followed the war. Unemployment, for instance, their chief concern, in the first three years after V-J Day never exceeded the 2,700,000 of March, 1946.

Two out of five veterans took themselves off the labor market and went to school. Thus the nation's generosity served at once to raise the level of education and reduce the ranks of the unemployed.

As hoped for, the World War II vet's return to society was reasonably serene. His assault on the campus was something else. Classrooms were packed and dormitories bulged with intent young men. Campuses swarmed with wives and kids, too. Non-vet male students were almost crowded out and the ex-G. I.'s even established a number of beachheads in women's schools. But they showed little interest in the frivolities of campus life. They showed an unusual, to some even alarming, concern for courses that would pay off.

Professors were surprised and often delighted by the new breed of student: vigorous, mature and independent of mind. Some teachers were disturbed by what they felt was a general lack of interest in the liberal arts—only six per cent of the 7,800,000 World War II vets training under the G. I. Bill studied the humanities. However, the emphasis on technical and scientific training served to build up the nation's reservoir of skilled manpower. One third of the veterans enrolled in craft, trade and industrial courses. Of the 744,000 who studied science, 450,000 chose engineering, the profession in largest demand today. An additional 700,000 combined classroom agricultural study with practical experience on the farm, 95 per cent renting or buying their own farms while in training.

Indications are that of the 6,000,000 men eligible for the G. I. Bill by virtue of their Korean service, about half, the same percentage as World War II vets, will take some form of education or training. The trend thus far has been for more than half of these to attend college. One of five Korea veterans in training has chosen a highly skilled trade or craft. Ten per cent are studying science, most of them engineering.

The Veterans Administration likes to point to a Census Bureau finding last year that the average male veteran had more than 12 years of schooling, the non-vet less than nine. The Bureau also found that in the six years 1947 to 1953 the annual income of veterans between the ages of 25 and 34 increased by 51 per cent to \$3,631, while that of non-veterans rose 19 per cent to \$3,065.

From these figures, the V. A. concludes: "Attributing only a part of the increased earnings of veterans to the G. I. Bill, those who have had G. I. training will be paying approximately \$1,000,000,000 more each year in federal income tax." It goes on to predict that, therefore, all the money paid out to educate and train World War II vets will be back in the federal treasury by 1970. Presumably, the Korea veterans will follow suit.

The G. I. loan guaranty program, like the educational benefits, served a dual purpose. It was designed to give the vet a chance to compete in the open market with those who had stayed at home. It also was meant to direct into normal peacetime channels the large amounts of uninvested capital that had accumulated during the war.

Because the government had kept yields on debt financing low in the early postwar years, G. I. loans at a

When the G. I. Bill has run its course and the accounts are closed, its major components will have cost us:

(in billions of dollars)

	World War II	Korea
Education and Training	14.4	6.0
Unemployment Compensation	3.8	.3
"Mustering Out"		
Readjustment Allowances	3.7	1.4
Totals	21.9	7.7

The loan program, administrative and other expenses probably will cost at least an additional \$1,000,000,000.



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four per cent interest rate proved relatively attractive to institutional investors. Although the guaranty in 1946 applied to no more than half of the debt nor more than \$4,000 on home loans, many lenders considered G. I. mortgages as practically riskless investments.

Not until 1953, when investment in government issues had become more attractive, was the Veterans Administration forced to increase the maximum G. I. interest rate to 4½ per cent to maintain the availability of veterans' loans. The guaranty maximum on home loans had been raised to \$7,500, or 60 per cent, in 1950.

All segments of the lending industry contributed to the home loan program. Commercial banks, savings and loan associations, and mortgage and real estate companies each have originated slightly more than 25 per cent of the total number. Mutual savings banks, insurance companies and some individuals contributed the remainder.

In the early days of the program, savings and loan associations and commercial banks provided almost 80 per cent of all G. I. home loans. Mortgage and real estate companies originated a larger share in recent years, often as much as 40 per cent of the annual total.

The present outstanding debt on G. I. home loans is estimated to be about one fourth of all the nation's outstanding indebtedness on residential mortgages. Savings and loan associations hold a fourth of the veterans' debts, life insurance companies 22½ per cent, mutual savings banks 20 per cent, commercial banks 19 per cent, the Federal National Mortgage Association ten per cent and other lenders slightly more than three per cent.

With his G. I. loan, the average veteran built or bought a middle-priced home. Sixty per cent cost from \$10,000 to \$15,000, about 30 per cent sold for less than \$10,000 and ten per cent were \$15,000 up.

The average price of a new G. I. loan home last year was \$12,130, an increase of \$800 over 1953. The terms, however, were becoming more liberal. More than a third of the homes were built without down payments in recent months and 70 per cent had maturities of 25 to 30 years. This compares with only eight per cent without down payments and 40 per cent with 25- to 30-year maturities in 1953.

The Veterans Administration expects to guarantee 1,000,000 more home loans for World War II vets in the next three years and at least 2,000,000 for Korea veterans in the next decade.



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The idea of rewarding a man for his war service probably is as old as war itself. The first veterans' benefits on this continent antedate the United States. The Pilgrims of Plymouth Colony voted in 1626 that any soldier injured in defense of the settlement "shall be maintained competently by the Colony during his life." One of the first laws enacted by the First U. S. Congress provided for federal pensions for many veterans of the Revolution.

Before the G. I. Bill, however, veterans' benefits were almost exclusively for the disabled, their dependents and the survivors of men killed in the line of duty. Veterans who returned unhurt from World War I were given little more than the chance to buy government life insurance and bonus certificates with a total value of \$3,800,000,000.

It became evident only 11 months after Pearl Harbor, however, that much more would be done for the veterans of World War II. The bonus was to be avoided, if possible. In November, 1942, President Roosevelt appointed a commission to study the question of educating the veterans-to-be. The first version of the G. I. Bill was introduced in the House in January, 1944.

Compared to the vast proportions it was to assume, the Bill's beginning was modest. The Administration's first plan was to offer one year of free education or training to those vets whose schooling had been interrupted. By the time the Bill had emerged from debate, though, it specifically said that such interruptions applied to anyone who had entered the service before his twenty-fifth birthday. The one-year limit was retained, but "interrupted" vets were allowed up to four years of expense-paid training.

The bill became law on June 22, 1944. Eighteen months later it was expanded with the removal of the one-year limit. The veteran received subsistence payments of \$50 to \$75 while in training. In 1948, payments were increased.

The first proposals for government-guaranteed loans were for as little as \$1,000 at six per cent interest.

A separate piece of legislation, Public Law 16 of the same Congress, authorized an expanded, but more traditional, program of benefits for disabled veterans. Also passed separately but commonly considered a part of the Bill, was the law providing for mustering-out payments of \$100 to \$300.

The Korean G. I. Bill, Public Law 550 of the Eighty-second Congress, was essentially the same. Its educational benefits were offered to

all vets on the basis of one and one half days of training or schooling for each day of service. Payments up to \$160 a month for subsistence and the cost of training were payable directly to the veteran. This was to prevent the growth of the fly-by-night schools that plagued the early administration of the World War II Bill. Mustering-out pay of \$100 to \$300 this time was a part of the law and unemployment compensation was changed to \$26 a week for a maximum of 26 weeks.

Extending the G. I. Bill to cover Korea veterans—adding about \$8,000,000,000 to its eventual cost—was almost unopposed, although we already were spending \$5,000,000,000 a year for veterans' services and benefits and had no reason to fear the economic effects of the veterans' return to civilian life. Clearly, need alone has not been decisive in determining what the nation will do for Johnny when he comes marching home. As if to remind us of this point, state after state continues to heap bonuses on its veterans.

At this moment, there already is considerable concern that too few benefits remain for the young man now going into service. In February Congress extended full G. I. benefits to all men in uniform before Feb. 1 and its veterans affairs committees have received myriad suggestions for prolonging other provisions.

Thus as the G. I. Bill bows out, we face the question how, if at all, the nation is to treat its cold war veterans. Support for continued benefits is encountering a widely held view that nearly every young man is now or soon will be a veteran and that the best the government can do is to pull out from the housing, insurance and education business.

Whatever action Congress finally takes, it will reflect almost entirely a desire to reward the veteran. Our armed forces have been stabilized for the long pull. While their strength remains at about 3,000,000 men, the planned annual rotation of 850,000 in and out of service should cause no undue strain on the economy or the young men involved.

If Congress adds no new veterans' benefits, the cost of educating and training those still eligible for G. I. training should stabilize at about \$600,000,000 a year until 1960. Other readjustment benefits will continue to cost about \$200,000,000 annually. Our total estimated expenditure for veterans in the current fiscal year, including \$2,700,000,000 for compensations and pensions, will be \$4,431,000,000. This will increase by about \$200,000,000 annually for another ten years. **END**



New Thermo Vector painted to simulate wood paneling in office of Mathias Klein Press, Mathias Klein & Sons, Skokie, Ill.

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PHOTO BY WALTER TREGASKIS



As Minister of International Trade and Industry, Tanzan Ishibashi, center, found that Japan's intellectual climate resented too much intrusion by foreign capital. Interpreter T. Sumida is at left; the author, Richard Tregaskis, is taking notes at right

KEEP OUT! JAPAN TELLS U.S. INVESTORS

Although our know-how and government financial grants are welcome the bars against private capital are high By RICHARD TREGASKIS

TOKYO—An American automobile trader told me a story which epitomizes the attitude of many Japanese economic officials toward American business in this country:

The automobile man was conferring with a bureaucrat of the Japanese Ministry of International Trade and Industry, and was trying to get his quota of imports raised. The American said he felt his company was not getting its rightful share of the Japanese automobile business.

The official fixed him with a stern look and said: "You have no rightful share."

The Japanese was a small-time bureaucrat with a nationalistic fear of encroachment by American business and a notable ignorance of Japan's desperate need for U. S. know-how and capital investment.

Fortunately, this official is not representative of all of the Japanese economic officialdom.

Many of them, including some of the leaders, are eager to bring in American technical know-how, capital and trade—as Japan struggles to regain its feet as a world economic power.

But an intense fight is going on within the Japanese ministries of finance and trade, and American businessmen, big and little, are caught in the cross fire.

The struggle became more intense with the downfall of the Yoshida government and the opening of trade negotiations with Red China and Russia.

The election of Ichiro Hatoyama as premier promises little change. Although regarded as conservative, promises in his campaign included stronger relations with Moscow and Peiping, less dependence on the United States.

The Red Chinese and the Russians have been pitching for a share

of Japan's rich foreign trade—and Japanese officials have responded eagerly to the communist offers. Yet trade so far has been small.

In theory, at least, China should be a good customer for Japan. Japan's principal exports have been textiles (principally cotton goods) and iron and steel products, including machinery. China needs manufactured goods, particularly steel and machines.

Japan's imports have been principally textile fibers and food. She must also import the raw materials for her steel industries—iron ore and coking coal. All of these are obtainable in China. But many factors prevent Japan from trading with China. One is that about three quarters of China's exports are going to Russia—and almost all of her imports of steel and heavy machinery come from Russia. Japan would have to fit into this picture, probably on terms that would be dictated by Russia.

Furthermore, by agreement with the United States, Japan must hold back many strategic exports to China. To develop any considerable trade with China, Japan would have to cut loose from certain British-American control agencies like COCOM, the coordinating committee of 15 western countries. Japan is probably as much afraid of Russian domination as of American-British. She would prefer to make her own way in world trade without an axis toward either East or West. But to become a worthy competitor in the world-trade race, she needs some help. Her productive machinery is not up to date. She needs industrial know-how and capital. Both, apparently, will have to come from outside.

Toward the American businessman, the predominant attitude has been: "We want your technological

know-how in certain fields—but we don't want your capital if we can possibly get along without it."

Since Japan's private trade was re-opened in 1950, she has had investments of less than \$50,000,000 in U. S. capital, in terms of fixed plant, inventory and stock ownership. On the other hand, she has spent more than \$140,000,000 of her treasured foreign exchange for technological advice from U. S. companies. Her thinking is consistent: She wants to get know-how so she can bring her factories up to date.

In a few fields a good deal of American capital has been allowed entrance—principally in oil, chemicals, and machinery manufacture. But, in general, the attitude toward U. S. investment has been hostile.

The Japanese fear economic imperialism—and they can afford to play cat-and-mouse with the U. S. because they know we don't want Japan's brain and industrial power, the key to Asian strategy, to fall into the Red orbit. They hope for large financial grants from the U. S. government rather than a big incursion of private capital.

The truth, however, is that the Japanese are playing their game on the edge of a precipice, and that they have blindfolded themselves against certain stern realities:

First, the margin in Japan between starvation and prosperity depends on foreign trade—and her exports of manufactured goods and her import of raw materials are chronically unbalanced. Since independence came in March, 1952, she has been consistently spending more money for imports than she takes in for exports. Only the invisible dollar revenue from the support of American military forces has enabled her to keep her head above water. In 1954, the Japanese imports were \$1,800,000,000, her ex-

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ports were \$1,350,000,000. Only the American military spending of about \$570,000,000 made it possible for her to show a favorable balance.

This year, the special dollar receipts from the U. S. military garrisons will be far lower than in '54, probably down to less than \$400,000,000. Thus Japan's foreign exchange reserve, now down to about \$600,000,000 in liquid funds, will dip dangerously low. In one year she could go broke.

Second, Japan's population, now 88,200,000, is increasing at the rate of 22,000 a week—about two babies

every minute. She has to maintain this population in an area the size of California—with considerably less arable land than California.

Poor in other natural resources, Japan has little to offer except highly literate, industrialized manpower.

The worst fact is that Japan's manufactured goods, once famous for their cheapness, are generally more expensive these days—largely because she has been isolated from industrial technology for about ten years. Even if international trade were free of tariffs and other restrictions, Japan would have a tough time competing with nations like Britain, West Germany and the United States.

There are other complications, like the spreading of communist doctrine in the Teachers' Union. The Reds in Japan are following the

pattern which gave them success in China and elsewhere: Get to the students and they will engineer the revolution for you.

Japan's student problem is particularly acute because unemployment is high among the 125,000 annual graduates. Japan's traditional reverence for age means seniority in everything. With her unemployment officially at 700,000—actually twice that many—an undue share of joblessness falls on the young.

Also impeding Japan's economic well-being is her burden of war reparations still to be paid to former enemies like Indonesia, Burma and the Philippines. Red China is preparing a mammoth war indemnity bill running into billions, and the U. S. wants \$2,000,000,000 advanced during the occupation.

But Japan's central need is still to get organized for efficient, competitive production on the world market. One relatively easy remedy for this principal problem would be to allow foreign capital to enter—so that factory modernization and expansion could be speeded up.

Yet the Japanese so far have been discouraging to foreign capital—American and otherwise. They have, instead, tried to get technical know-how—about two thirds of it from the States.

By this time, many of the technical assistance contracts have had an effect. Some Japanese are saying that they have learned enough and should cut loose from the Americans. Others, at the opposite extreme, maintain that, to get on her industrial feet, Japan must have a vastly increased program of American participation—not only technical assistance, but large amounts of capital.

There's no doubt that the American technical assistance contracts have already accomplished many small miracles in updating Japan's economy. The products so improved include radio and television sets, trucks and autos, cotton and rayon textiles, plastics, power machinery, tires, gasoline.

Significantly, though, the swift progress has been where American firms have made capital investments as well as supplying know-how. With American capital, the Japanese firms can afford to retool. If they depend on the scarce, high-interest-rate Nipponese capital, the changes come much more slowly.

Where American firms have invested heavily, the rewards have been considerable to both sides. The oil industry, which accounts for 45 per cent of the American investments in Japan, is also the best example of profit making. Three

American engineers Robert E. Johnson, center, and Vincent Gay, right, chat with Yokohama Rubber Co. manager Takeo Kubota. This firm is 35 per cent owned by the B. F. Goodrich Company



American oil firms—Vacuum, Caltex and Tidewater—have brought swift improvement in refineries and streamlined management methods to their Japanese partner companies. The Japanese have gained new and elaborate petroleum stills, fleets of tankers, trucks, marketing knowledge, and gas stations—in all, more than \$20,000,000 in capital investment. In turn, the oil business grosses have doubled or trebled every year since 1950.

Despite the mutually beneficial successes of these Japanese-American enterprises, most Japanese officials seem to favor the slower method of patent leasing and technological know-how purchases—which do have the effect of keeping Japanese industry free of the foreign taint.

The more international-minded Japanese business leaders, however, believe that the know-how method will take effect too slowly to prevent Japan from backsliding into a fifth- or sixth-rate industrial power.

My first acquaintance with the technological know-how program came as soon as we boarded the new Japan Air Lines DC-6B in San Francisco. The Japan Air Lines system is one of Nippon's more ambitious attempts to update the national economy, and particularly to provide a trade linkage abroad. A government-supported airline, JAL, has been operating as an international carrier for only a little more than a year.

On the trans-Pacific run they use American plane captains, subcontracted from Transocean Air Lines, as are the engineers and navigators. Significantly, though, every flight carries Japanese personnel breaking into these jobs. Eventually Japanese crewmen will take over.

But beyond technical competence and up-to-date equipment the JAL leaders realized that they had to pick up some American know-how about flight service, too. So they made a contract with a senior stewardess of United Air Lines, Miss Ty Atwood, to come to Japan as a consultant. A blend of Occidental and Asiatic hospitality was worked out—with curiously successful results.

Almost immediately after we had reached cruising altitude, trim and beautiful Japanese stewardesses in dark-blue uniforms offered a choice of western or Japanese beverages—Japanese beer or sake, Scotch, bourbon, brandy or cocktails. A menu informed us that we could have drinks whenever we liked during the trip and prepared us for a five course meal served with grace and dispatch.

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Midway on the flight one of the stewardesses changed to a bright Japanese kimono. We learned that JAL had worked up a special kimono that is donned in two halves so that the change can be accomplished in ten minutes instead of the customary 60-plus for the old style Japanese garment.

The stewardesses were marvels—a fact not so surprising when we heard that there had been more than 3,000 applicants for the first 15 jobs on the international line.

The whole crew was polite, and in general the service was at least the equal of that on luxury flights anywhere.

The president of JAL, Seiji Yanagita, a widely traveled man who headed the Bank of Japan branch in London, says the line's biggest problem is how to expand routes and keep up with the international competition with limited finances. The total capitalization of JAL is \$9,200,000—of which about two thirds is government money. To expand operations to Singapore, India, London, and Rio de Janeiro will take money. Mr. Yanagita said he wants JAL to have the latest in aircraft, but to change over to another make would be terribly expensive.

"Our people are trained in one product," he said. "They would have to be retrained for other equipment."

In the beginning JAL contracted with 15 American maintenance experts to come to Japan and set up repair lines—and to train Japanese. Now only two Americans are left in the maintenance section. Thirteen American pilots are flying on the domestic Japanese line, and 16 are flying internationally. These will be phased out as Japanese replacements are ready to take over.



Japan Air Lines, using U. S. know-how, features modern stewardesses, keeps some traditional kimonos. Here Michiko Yamanouchi in western style and Sachiko Uemura, right, wait on Mrs. Miyoko Yanagita

To tackle a similar program because of new equipment would give JAL considerable pause. The picture reflects a fact which only a few Japanese businessmen realize: Know-how is progressing so fast nowadays that you can't just buy it and be through with it—you must have capital to invest so that you can keep up with the latest science has to offer.

Japan's industrial situation shows factory methods as old as Rip Van Winkle, with a partial overlay of bright new modern methods. The governor of the Bank of Japan, the distinguished former ambassador to the U.S., Eiichi Araki, described it this way:

"Japan is something like a museum, the old and the new living together. There has to be some co-ordination of the old and the new features . . . When I came back from the United States in the end of 1953, I saw some repairs being made to the road in front of the Imperial Hotel. There was a modern steamroller on one side—on the other, a primitive tamper banging on the soil."

The Japanese steel industry, for instance, is a mainstay of both domestic and export economy. With modern methods, it might make the difference between a favorable and unfavorable balance of trade. But the industry is a patchwork of pre-World War II methods and the latest techniques.

On one of our first trips in the Tokyo area, we visited the Kawasaki steel works. On the east coast of Tokyo Bay, in the prefecture of Chiba, this plant has an expensive blooming and slabbing mill, installed in the fall of 1954 under the supervision of an American engineer. It's the biggest such mill in Japan and it could produce 2,000,000 tons of slabs a year—except that the steel works doesn't have a continuous strip mill to handle the product from there on. So it is rolled into steel sheets by the old slow pullover method of the hand mills brought over from the U. S. in 1924.

The company sent a group of seven engineers and technicians to the United States in 1951 to study the best American methods.

Kawasaki then brought American experts to Japan to superintend the installation of new machinery which could make the plant the third largest in Japan (behind Yawata and Fuji). Two American engineers from the A. J. Boynton Company of Chicago, Walter C. McConaghey and John B. Eberlein, spent two months studying, among other things, the feasibility of building a continuous strip mill.

Kawasaki brought over another American engineer, Richard S. Kelly, to supervise the ore-bedding setup. They made a deal with the United Engineering and Foundry Company, of Pittsburgh, to send

over an engineer to supervise the installation of the blooming and slabbing mill. With American supervision, they installed American quality control methods, and a U. S. automatic sampler system.

But when they had done all this, Kawasaki was just about out of capital—and several vital production links were still missing. They needed support from outside sources but they were stymied by Japanese government control. The Ministry of International Trade and Industry has authority over such matters; it turned Kawasaki's attentions toward the World Bank, instead of private foreign capital.

In 1954, they appealed to the World Bank (dominated by the U. S.) for a loan of \$27,000,000 for the strip mill and other improvements. The bank turned them down and they have filed another application for a smaller amount. If they get it the plant can be a model of productivity.

Why couldn't the Kawasaki people get the capital they need from Japanese sources? The structure of Japanese capital differs from ours. The Japanese banks charge interest rates averaging 11 per cent and ask that a large part of the loan be redeposited as security.

Furthermore, the Japanese government has been trying to restrict Japanese capital. The theory has been that, by deflationary measures like stricter control of credit, Japan's economy would be somehow strengthened, and the critical import-export balance improved. So far, this has not worked and gives no promise of working.

The experiences of several American firms in trying to set up partnership with Japanese firms in 1954 have been depressing. Among them are the Singer Sewing Machine Company, Parke-Davis pharmaceuticals, Johns-Manville roofing, the Studebaker-Packard Corporation. All of these wanted to put in considerable amounts of capital, to modernize production lines—and they were willing to accept less than a controlling interest in their partner Japanese corporations. They all gave promise of boosting Japan's export trade.

Nothing in Japan's foreign investment law prevents the formation of foreign subsidiary companies 100 per cent foreign owned, but the practice has been to limit foreign investment to 50 per cent or less. Even this type of partnership was severely discouraged during 1954. The Foreign Investment Council of the Ministry of Finance, and MITI, the governing bodies, did not admit

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one large investor in 1954, and they have several times tired out applicants by endless postponements.

This attitude springs partly from a desire to protect Japanese industry from outside competition—which is understandable if not economically farsighted. Partly it comes from a feudalistic kind of nationalism.

I talked to the minister of International Trade and Industry, Tanzan Ishibashi, about this attitude.

He told me that he personally had no objection to the admission of American capital, but that there is a kind of intellectual climate in Japan which resents too much foreign intrusion.

My translator rendered the answer this way: "There is a national feeling. For instance, Australia does

not want too many Asiatics to come in. Japan has the same feeling about the introduction of foreign capital."

The reference was polite and adroit, but still an indirect reference to the American Oriental Exclusion policy, which has been slightly altered nowadays to admit less than 200 Japanese settlers a year.

"The government policy," he said, "is to discourage American investors from owning more than 50 per cent of the companies."

I asked him why, and he said he was going to ask me a question. "Would any nation want foreigners to dominate basic industries?"

I replied that the United States itself had benefited greatly from the investment of British capital after the Civil War; that some Englishmen had grown rich from it, but that we had been the principal gainers, because we retained the industrial plant and the know-how. I said that in the post-World War II period, certain countries had known phenomenal industrial growth because they admitted foreign capital. Germany, Belgium and Holland were

good examples—and Australia, where they had no objection to foreign control, because they could always limit remittances to the foreign country and make sure that some of the profits were plowed back into plant improvement.

I pointed out the need for speed in modernizing Japan's industrial plant.

My interpreter translated Mr. Ishibashi's reply: "Even if they put no restrictions on foreign capital, he feels that not much would come in. So he is willing not to limit it."

"Why would not much capital come in?" I asked.

"There aren't many enterprises that would be profitable for foreign investment."

I could have mentioned a dozen American companies that are doing well in Japanese partnerships, and the four big ones that have offered large capital investments in 1954—and been kept waiting—but it seemed that Mr. Ishibashi's mind was already made up.

Fortunately, others in the government are more liberal—men such as

U. S. oil firms are among few industries with large capital in Japan. Engineer Robert B. Morgan, right, talks with manager Shuji Kanoh at Far East Mfg. Co. refinery, partly owned by Standard Vacuum



Eihichi Araki and Hisato Ichimada. Mr. Ichimada, former governor of the Bank of Japan, has a broad cosmopolitan background. Another politician of broader industrial interests, and a warmer attitude toward American capital, is Tetsu Katayama, former prime minister.

Meanwhile, three big American firms wait for action on their petitions to put large amounts of money into the Japanese capital structure.

They were the Singer Sewing Machine Company, National Cash Register and Monsanto Chemical. The last two have investments in Japan already and feel that business prospects are good enough to warrant considerable expansion.

Singer has signed an agreement to go into partnership with the Pine Sewing Machine Manufacturing Company, Ltd. They've made a commitment with the Japanese government that they won't remit more than half of their profits to the U. S. and, besides their capital investment in dollars, they have agreed to lend the Pine Company \$250,000 for tooling up the assembly line. They've promised a production technique which will give the Japanese a family-type sewing machine able to compete in world markets.

The MITI people have objected that the native Japanese firms would suffer from the Singer competition—a complaint not so legitimate when you consider Japan's future. In general, the Japanese sewing machine production methods are inefficient. There is an average loss of \$2 per machine exported. The government absorbs this loss in its desire to build foreign exchange but, as time goes on and markets grow more competitive, the amount may increase.

Monsanto has a 50 per cent interest in Monsanto Kasei Kogyo Company, Ltd., capitalized at \$4,560,000. The company makes plastic for articles like raincoats, with the American technique. Through Monsanto methods, the cost of the finished product has been halved in three years, even though the cost of the raw materials has gone up. Production has increased every year to meet an expanding market. Now the company wants to put up a polystyrene plant for \$1,600,000—but the government has been hanging fire on a decision for six months.

The National Cash Register Company has a small assembly plant in Japan now, but has drawn up a plan to build a factory here for \$1,250,000, to turn out 500 machines a month. They can demonstrate that they will boost Japan's foreign exchange by making machines for ex-

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Engine expert C. H. Hall compares notes with Japanese foreman in Tokyo airport overhaul shop. Mr. Hall is one of few remaining consultants brought in by Japan Air Lines

port to Asia, Africa and South America—but the application has been on file with the government since July, 1954, with no action as yet.

All of the American Big Three automobile manufacturers have investigated the possibilities of building plants in Japan—and abandoned the idea. The most important reason has been the maze of conditions which the Japanese interpose to protect the infant Japanese motor industry. American firms have balked at the terms, but there have been some takers in the British and French car industry. Hillman, Austin and Renault have built factory lines, and agreed to increase the amount of domestic components 20 per cent a year for five years, so that in theory the cars will then be 100 per cent Japanese.

The case of the Studebaker application to set up a plant in Japan is

famous. Dewey Smith, a vice president of Studebaker, came to Japan and made offers which seemed reasonable. He promised to make cars for export to help Japan balance her trade books. The MITI people, though, said they felt that the Studebaker was too big a car, that it would compete unfairly with the small Japanese makes like Prince, Toyota and Datsun.

Ford had a substantial investment in Japan before World War II. The company still owns an assembly plant in Yokohama worth \$4,000,000 to \$5,000,000 where about 1,300 people worked before Pearl Harbor. That plant is empty now. Another large property in Yokohama, which the firm bought prewar with a view to setting up a complete subsidiary company, is being used by the U. S. Army for storage. Ford, like the other American automobile majors, since World War II, merely shipped

assembled cars into the country as straight import items. The dealers have been Japanese firms.

One other part of the American automobile industry, tire manufacture, however, has fared better. The B. F. Goodrich Company was one of the first to get back into Japanese industry when the occupation took off some of the wraps in 1950. The company started negotiations almost immediately with its prewar partner, the Yokohama Rubber Company. With the help of an old Japan hand, William Stewart, the 35 per cent interest of the American firm was set up, and modernization of the Yokohama plants started. Now they are a good example of what American capital and know-how can do to produce high quality goods at low cost, and make good profits.

Mr. Stewart, the Goodrich chief in Tokyo, told me: "Our policy has always been to let the local com-

pany manage. They know better what they are doing. The main point for an American firm coming in here is to get a strong partner."

Two other good examples of this type of smooth integration of American and Japanese interests in the Tokyo area are the Tokyo Keiki Seizoshu Co., which translates Tokyo Precision Instrument Company, affiliated with the Sperry Corporation, and the Nippon Electric Company, partly owned by International Standard Electric.

Both are successful financially, because they are key industries in Japan's attempt to improve her economic status. They tie closely with the nation's efforts in shipping, aircraft and communications. Tokyo Precision makes complicated instruments like artificial horizons. Nippon Electric manufactures television and radio transmitters and switchboards. Both companies have leaned heavily on American production equipment, know-how—and capital. The Sperry Company owns 25 per cent of Tokyo Precision, capitalized at \$1,000,000. International Standard Electric has 32.7 per cent of Nippon Electric's \$2,800,000.

Like many other Japanese companies they had been physically beaten up by World War II. Tokyo Precision was a high priority target for our bombers because more than half of its production was in airplane instruments.

About 90 per cent of the buildings were bombed out.

About one quarter of the factory has been rebuilt. Nippon Electric also suffered considerable damage, the Nagoya factory being razed, the Mita plant (in Tokyo area) 40 per cent destroyed.

But American business enterprise came back to rebuild the factories and update production methods. In the case of Tokyo Precision, experts came from Sperry, and new patents also from the Bendix Radio Division and Walter Kidde Co. One Sperry engineer remains with the company to train Japanese engineers. He is John Hobgood, from Flushing, N. Y., and his know-how has graduated several intensive classes—and also brought the firm its first dirt-free instrument repair laboratory. If the know-how and production technique progress fast enough, said Makoto Hashi, the president, the plant will manufacture even more intricate air navigation equipment. Whether Japan's aircraft industry turns toward defense forces or commercial airlines, there will be tremendous demand for these instruments.

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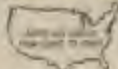
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continued

Nippon Electric also has spent large sums (for Japan) for plant modernization. The vice president in charge of new projects, Minoru Numoto, said the company plans to put out another \$1,100,000 for machinery. Beyond that, they have applied for a loan from the World Bank for productive equipment.

Nippon Electric's American director, Walter F. Flanley, was out of Japan, but the genial Mr. Numoto substituted ably, speaking on the subject of U. S. investment here. Japan's need for machine equipment is desperate, he said. "The only good dollars or pounds are for equipment to improve our productive capital—and we will pay a high interest rate."

Japan can't hope to compete with America in mass production, he said, but with proper machinery can take advantage of her abundant labor and high level of skill and education to manufacture complex modern machinery and keep prices down. He cited telecommunications and aircraft as good examples, and pointed out that Japan is the only Asiatic country capable of making first-line aircraft and aviation equipment.

The bottleneck in Japan's industrial redevelopment, he said, has been the shortage of capital. He proposed a kind of time-payment plan for the purchase of machinery.

One industry has already tried the time-payment plan for the purchase of machinery. International General Electric has lent the Tokyo Power Company about \$10,000,000 for a huge turbine generator, boilers and other engineering equipment. The loan is for seven years and 11 months.

Another kind of deal is the outright purchase of rights to make nylon by the Toyo Rayon Company. Toyo bought the Nylon know-how from du Pont for a flat cash fee.

The usual know-how arrangement, however, is not an outright purchase of rights, but a leasing of technological assistance for five, ten or 15 years. RCA has 40 such deals on radio and television equipment.

To service their know-how contracts, RCA has built a complete laboratory in downtown Tokyo—at a cost of \$85,000. The lab is as modern as similar setups in New York, Chicago and Los Angeles.

The Tokyo laboratory is the first of its kind to be built outside of the U. S., and the man in charge is the same engineer who built the New York and Chicago setups, Edward W. Wilby.

A capable, precise man, Mr. Wilby said the Japanese are eager to learn, but that their technical schools lack the equipment to give the students the proper backgrounds.

"Here, in engineering, especially in electronics," he said, "a Ph.D. has about the equivalent of a B.S. in the states." There is, he said, a lack of background in research and development, so that the energetic Japanese sometimes rush into a highly complex problem without enough preparation.

In his view the great need for radio and TV manufacturers here is high quality components—and this, incidentally, would be a good field for American manufacturers.

"We'd never build parts into a set without quality testing first. Here, they don't do it. The result is that some of the quality manufacturers make their own component parts, and that's very costly."

"If an American manufacturer could come over here and build good resistors, for instance—and not let the name go on the product until it had met the quality standards—he would have plenty of business."

With TV stations operating in Tokyo and Osaka, Mr. Wilby said, and about 25,000 receivers in the country, television has made a good start here, and the potential looks promising, because of the high degree of electrification. He estimates that 50,000 sets will be operating by next December. Growth will be slow compared to the United States, because the people don't buy things on time, the interest rates are so high—and TV receiver prices staggering. But the Japanese, with low individual incomes, have an interesting capacity for saving and buying relatively expensive items.

The government's principal interest though, is not in appliances, which are unproductive, but in machinery.

A surprisingly large amount, \$31,000,000, has been invested in pharmaceutical know-how. American Cyanamid, Merck, Sapon, Parke-Davis, U. S. Vitamin, all have had shares of this. American Cyanamid additionally has invested half of the capitalization of Lederle (Japan) Ltd., so as to be more directly involved in production. With Lederle, as with other American firms providing capital as well as technical knowledge, the results have been

brilliant. Quality control has been high, and costs have been lowered—the results measurable in rapidly increasing business.

The best results have been achieved where the investments were largest—in oil. On a visit to the Toa Nenryo refinery at Wakayama (near Osaka), we could see massive evidence of this. The plant is modern, on a big scale and more dramatic because some of the neat, new installations are built on war-scarred foundations.

The prize installation at Wakayama is a giant new hydroformer, with a steel tower 127 feet high, built at a cost of \$5,000,000. The hydroformer produces high-test gasoline from heavy naphtha.

Fourteen American engineers have been working to finish the apparatus on schedule. It is the first of its kind to be built outside the United States.

Mr. Numoto of Nippon Electric pointed to one difficulty. That results from the U. S. attempt to remake the Japanese labor on American models during the occupation. Japanese labor had been more productive on a piecework basis, but the occupation office, SCAP, ordered a change-over to an hourly setup. They also tried to introduce social benefits, in some cases more advanced than in the United States. The result was to undercut the productivity of Japanese workers. These difficulties will have to be worked out gradually, he said, but the Japanese worker still has an energy and intelligence that is equalled in few nationalities.

Honor was also stressed by American businessmen here as a dominant Japanese trait. One American official of a big factory said that his firm's Japanese partner kept track of all money due the U. S. company during World War II and paid when the factory reopened! "I can't imagine an American firm doing that, if we had lost the war," he said. "Nor do I think I would do it, as an individual."

Elmer Welty, an American industrial lawyer who handles U. S. capital investments in Tokyo, told me there were dozens of cases where the partner kept a record of, and paid such dividends.

"Furthermore," said Mr. Welty, "when the Japanese government seized the U. S. partner's property and offered it for sale, the Japanese partner often bought it and kept it in trust!"

Mr. Welty summed up: "Japan is a good place for foreign capital, if the government will start it moving again."

END

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Natural Gas: Here Are the Issues

(Continued from page 37)

The pipeline operated by Michigan-Wisconsin carries about 95 per cent of the natural gas bought by Wisconsin customers—and Phillips is sole supplier to the firm.

► 2. A U. S. Court of Appeals sided with the state of Wisconsin on appeal by the state from the FPC decision and agreed that FPC should regulate Phillips' sales prices to the pipeline.

Phillips appealed to the Supreme Court, which at first refused to review the lower court's decision, then granted a rehearing.

Immediately following the Supreme Court ruling, FPC took steps to impose price regulations on all independent natural gas producers; many interested parties are pressing for legislation which would nullify the Supreme Court's decision by an act of Congress.

Thus the stage is set for a legislative battle royal. The battlefield itself, at least in the early stages, is the Interstate and Foreign Commerce Committee of the House of Representatives, where Chairman J. Percy Priest (D.-Tenn.) expects to listen to all sides of the question in hearings this month.

Bills to exempt natural gas producers from FPC regulation already have been introduced by Rep. Frank Bland (D.-Tex.), Rep. Hale Boggs (D.-La.), Rep. Walter Rogers (D.-Tex.), Rep. Oren Harris (D.-Ark.), and others.

On the other side of the fence, a bill specifying methods of implementing FPC regulation in accordance with the Supreme Court decision has been dropped in the House hopper by Rep. Charles A. Vanik (D.-Ohio).

Other legislative proposals are expected to pop up as the contest grows hot. Recommendations of the President's Fuel Policy Committee have inspired a number of new bills. To date, the battle has been regional—between producing and consuming areas—rather than between political parties.

The situation as it shapes up now, in the view of competent observers, goes beyond the court decision against Phillips and involves all natural gas producers as well as millions of consumers who rely on gas for heating, cooking and other household and industrial uses.

If, the gas industry argues, this decision applies to a single producer (Phillips) it applies also to some 4,000 other natural gas producers

who compete without restriction in exploration for new natural gas resources and who compete vigorously for sales to pipeline companies eager for adequate gas supplies to meet an ever growing demand.

Let's look at the major factors involved in the dispute—its size and scope, and its impact, immediate and for the long run, upon the American public:

Thirty million families cook with gas in this country; 18,000,000 families use gas to heat their water; 4,000,000 families have gas refrigeration; 14,000,000 families heat their houses with gas; 62,000,000 meals served daily in public restaurants are cooked by gas.

These millions of customers have at least a dual interest in natural gas—its cost and its availability.

The natural gas industry has recorded amazing growth in a single decade. This basic commodity now supplies about 25 per cent of the nation's energy needs; ten years ago it supplied less than 12 per cent. During the past 50 years, natural gas has been transformed from a nuisance—usually burned or "flared" at the well—into the country's sixth largest industry, with total assets estimated at about \$14,000,000,000.

Since 1940 the number of gas customers, over-all, has increased 150 per cent; customers who want to heat their homes with gas have increased 300 per cent.

Commercial customers—stores and office buildings—now number more than 1,600,000, a gain of 142 per cent since 1945; major industrial users number 77,000, an increase of 140 per cent in the same period.

And users continue to increase.

U. S. Chamber's View

The independent producers of natural gas are freely competitive and enjoy no assured market. Federal regulation in peacetime is therefore not justified. Freedom from federal restraints in the past helped stimulate the industry to discover, develop and sell natural gas at competitive prices and in swiftly increasing amounts to meet consumer requirements. To require federal price controls now may jeopardize continued increases in gas production to the detriment of consumers as well as national security which depends upon gas as an important source of energy for defense production and the mechanized weapons of modern war.

One Ohio utility reports at least 70,000 householders are waiting for gas. In Chicago, 135,000 families look forward to gas heat for their homes when it can be made available.

In the face of this growing demand for natural gas, what about our reserves—the gas supply now known to be available? In 1946, when postwar demand began to gather full momentum, we had an estimated 32-year supply in reserve, based on rate of consumption at that time. Now, according to estimates by the Natural Gas and Oil Resources Committee, our known supply has dropped to about 23 years at current consumption rates.

If known reserves are to keep pace with growing demand, and millions of people who want gas are to have it, exploration, discovery and operation of new gas wells is necessary. This demands large expenditures which gas companies are not likely to make if their rate of return is federally controlled.

New England states did not receive natural gas until 1951. Two years later the area counted 707,000 gas customers. Natural gas was brought into New York State from the Southwest in 1948. By 1953, there were 283,000 customers. Wisconsin got its first natural gas in 1946. By 1953 the state had about 400,000 customers.

Today, natural gas is consumed in 43 states and the District of Columbia. Rhode Island first received natural gas in 1953. Consumption in the United States in that year came to 7,979,000,000,000 cubic feet.

Here's how those trillions of cubic feet were consumed:

Residential, 1,686,000,000,000, a gain of four per cent over the previous year; commercial, 531,000,000,000, a gain of three per cent; field use (in oil processing and gas transmission), 1,471,000,000,000, a decline of about one per cent; petroleum refineries, 589,000,000,000, a four per cent gain; for other industrial uses, including the nation's electric utilities, 3,702,000,000,000, an eight per cent increase.

In dollars and cents, the marketed production value of natural gas at the wellhead—where it originates—amounted to about \$775,000,000, in 1953; for 1954, value is estimated at approximately \$795,000,000.

In 1952, natural gas producers marketed a total of 8,013,000,000,000 cubic feet, some of which went into pipeline and distributor reserves; production rose to 8,397,000,000,000 cubic feet in 1953, and to an estimated 8,700,000,000,000 cubic feet last year, an increase of 3.6 per cent over 1953.

During this period, the average

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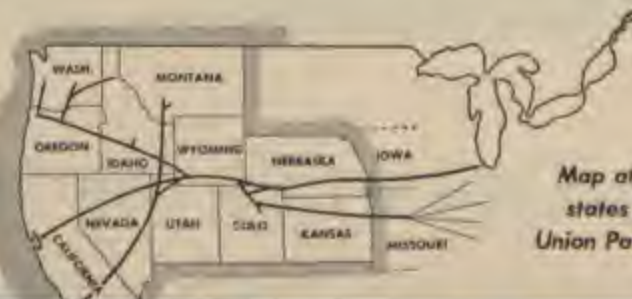


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ALL IN ALL, this 43rd Annual Meeting of the National Chamber is one you will certainly not want to miss. You owe it to yourself to pull away from your desk, your office and your business, the first week in May—and to come to Washington for this important event.

The time is May 1-4. For further information—and for a list of those from your community who are planning to attend—get in touch with your local or state chamber of commerce or trade association. Or write to us for details.

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NATURAL GAS

continued

value of gas at the point of production increased from 7.8 to 9.2 cents per 1,000 cubic feet—the highest annual increase reported. From 1945 to 1952, the average increase in value at the wellhead had been 0.4 cents.

However, the industry points out that less than ten per cent of the price the homeowner pays for natural gas goes to the gas producer. The remainder is divided between the pipeline companies—which receive an average of about 25 per cent of the cost of the gas—and the local distributor, who gets about 65 cents of the customer's gas dollar.

Industry spokesmen assert—basing their claim on these figures—that a ten per cent decrease in price of gas at the wellhead, which might or might not be effected by federal regulation, actually would mean less than a one per cent decrease in the price of gas to the consumer.

One aspect of the natural gas industry deserves mention here—the expansion of pipeline facilities to meet growing demand. In 1953, the Federal Power Commission, with the blessing of the Office of Defense Mobilization, issued certificates of necessity amounting to \$726,000,000 for construction of natural gas facilities designed to add a capacity of more than 2,500,000,000 cubic feet per day to the pipelines. These certificates, allowing rapid tax amortization for construction purposes, involved 6,800 miles of new pipeline.

Official estimates for 1954 indicate that expansion of these facilities has declined appreciably below 1953 figures—which means that fewer miles of pipeline will be built. In 1952, FPC issued \$409,000,000 in certificates for 4,147 miles of new pipeline.

Both sides have enlisted able and convincing spokesmen. In introducing his anticontrol bill, Representative Ikard remarked that the purpose of the measure "is to make certain that the Natural Gas Act is administered in the manner that was intended at the time it was enacted."

He asserts that Congress, when it passed the Natural Gas Act, "never intended that the Federal Power Commission should have the authority to regulate the sale of natural gas by independent producers."

"If the federal government," Mr. Ikard declares, "can succeed in establishing a price ceiling for gas moving from Texas to other states, it will have won the right to set up a peacetime OPA with power to put federal price tags on any and all other commodities which cross state lines."

In direct opposition to this view, James R. Durfee, chairman of the Wisconsin Public Service Commission, declares:

"Whenever an unregulated monopoly of the basic supply of natural gas or any other commodity essential to practically the entire market of any state arises in interstate commerce and that monopoly is used to force prices upward, one of two things generally happens:

"The monopoly is broken under the federal antitrust laws or it is placed under federal regulation. This legal reaction to monopoly is not socialism; it is an established principle of American government as basic as the concept of free enterprise and it cannot be disregarded in any solution of the natural gas producing problem."

Mr. Durfee also points out:

"It was under this final broad decision (of the Supreme Court), and not the decision in the Court of Appeals on the particular facts of the Phillips case, that the Federal Power Commission prescribed Rule 174 and 174-A (regulating sale prices of producers). If regulation of all producer sales for resale in interstate commerce now begins at the wellhead, it was Phillips and not Wisconsin that took the appeal that brought about this final decision."

Paul Kayser, president of El Paso Natural Gas Company, sums up the over-all industry position this way:

"The (Natural Gas) Act has a proviso that it shall not apply to the production or gathering of gas and the (Federal Power) Commission for 16 years held that the Act did not apply to independent producers not operating or affiliated with an interstate pipeline. Notwithstanding these considerations, the (Supreme) Court held that the sale at the mouth of the well was subject to regulation by the Commission.

"This regulation is a radical departure from all former policy of the federal government. It is the first time the federal government has regulated in peacetime the producer's price of a basic commodity.

"Such regulation is injurious to the economy for four reasons:

- ▶ "1. It will inevitably restrict exploration and reduce the quantity of gas available for consumer demand.
- ▶ "2. It will lead to the regulation of other competing fuels, oil and coal, as well as other commodities, lumber, wheat, cotton, etc.
- ▶ "3. It further centralizes power in the federal government and will destroy conservation regulation by the states.
- ▶ "4. It is a socialistic measure reaching far beyond utility regulation and can only be made effective

by the strictest socialization of all production."

In testimony before the Federal Power Commission, Gen. Ernest O. Thompson, member of the Texas Railroad Commission and a leading figure in oil and gas conservation, had this to say:

"Officials and employees of these state regulatory agencies (Texas, New Mexico and Oklahoma) testified in detail concerning the comprehensive programs which have been adopted by the states for the purpose of preventing waste and bringing about the greatest ultimate recovery of gas and conserving the natural resources of the states. Some of the methods which the states have adopted to accomplish this are minimum prices, unitization, proration, bans against flaring of gas, regulations requiring maximum utilization of casinghead gas, ratable taking, fixing of gas-oil rates, and control of pressure maintenance and other secondary recovery operations.

"All of these witnesses agreed that there is a direct relationship between price and conservation and that conservation cannot be made fully effective unless the proper price is received for the gas which is produced, gathered and sold. You cannot have confiscation under the guise of conservation.

"Whether the policy adopted by the state with respect to this relationship be one of establishing a minimum price, as is done in Oklahoma and Kansas, or one of letting free competition control, as is done in Texas and New Mexico, the inevitable conflict with state conservation policies which will result from federal regulation of independent producers' prices is obvious."

A prominent industry spokesman adds this comment:

"Statistics show that the field price of gas constitutes, on the average, about ten per cent of the price to the consumer at the burner tip. The interstate pipeline from the field to the city gate connection with the distributor is thoroughly regulated by the Federal Power Commission and has been so regulated since passage of the Natural Gas Act in 1938.

"The distribution of gas has, since its inception, been regulated by the states and various cities in which such distribution is made. Both of these operations are recognized utility operations and are properly subject to governmental regulation as a public utility. Their earnings can accurately be calculated on a given rate of return and there is a free flow of capital into such enterprises abundantly sufficient for their needs.

"But the exploration for and pro-



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duction of gas is an entirely different kind of business. It is highly competitive and extremely risky and will not be undertaken by anyone to any substantial extent for a fixed utility return such as six or six and a half per cent. More than 4,000 different gas producers in the nation are competing with one another to supply the various pipelines.

"The producer's financial gamble is a big one. Only one exploratory well out of nine is successful on the average."

How does the Supreme Court itself line up in this historic decision?

The majority opinion was handed down by Justice Sherman Minton. Justices Felix Frankfurter, Hugo L. Black, Stanley Reed and Chief Justice Earl Warren concurred.

The dissenting opinion was written by Justice William O. Douglas and concurred in, in a separate opinion, by Justices Tom C. Clark and Harold H. Burton. The late Justice Robert H. Jackson took no part in the considerations or decision because of an earlier association with the case as U. S. Attorney General.

The majority decision sums up:

"Regulation of the sales in interstate commerce for resale made by a so-called independent natural gas producer is not essentially different from regulation of such sales when made by an affiliate of an interstate pipeline company. In both cases, the rates charged may have a direct and substantial effect on the price paid by the ultimate consumers. Protection of consumers against exploitation at the hands of natural gas companies was the primary aim of the Natural Gas Act. Attempts to weaken this protection by amendatory legislation exempting independent natural gas producers from federal regulation have repeatedly failed, and we refuse to achieve the same result by a strained interpretation of the statutory language."

In his dissenting opinion, Justice Douglas writes:

"The fastening of rate regulation on this independent producer brings the production or gathering of natural gas under effective federal control, in spite of the fact that Congress has made that phase of the natural gas business exempt from regulation. The effect is certain to be profound. The price at which the independent producer can sell his gas determines the price he is able or willing to pay for it (if he buys from other wells). The sales price determines his profits. And both his profits and the profits of all the other gatherers, whose gas moves into the interstate pipelines, have profound effects on the rate of production, the methods of production,

the old wells that are continued in production, the new ones explored, and so on. . . .

"There is much to be said in terms of policy for the position of Commissioner (John W.) Scott, who dissented the first time the (Federal

Power) Commission ruled it had no jurisdiction over these sales. But the history and language of the (Natural Gas) Act are against it. If that ground is to be taken, the battle should be won in Congress, not here."

A thoughtful study of past testimony and proposed legislation in the natural gas field leaves at least one pertinent question: Why does there appear to be so great a concern over regulation of independent producers' prices?

Indeed, the Federal Power Commission has been accused of at least a slight degree of overzealousness in applying a court decision in a single case to the entire field of natural gas production. What may or may not be applicable to Phillips and the State of Wisconsin, critics assert, should have no bearing on other producers and gatherers unless, as a matter of law, their cases are similar to that decided by the Supreme Court.

For those who want statistical background, it might be worth noting that Wisconsin, the twenty-second largest consumer of residential natural gas among the states, pays the eleventh highest average rate at the point of consumption—approximately \$1.35 for each 1,000 cubic feet of gas delivered.

This rate compares with 73 cents per 1,000 cubic feet for California, largest residential consumer, and with \$3.28 per 1,000 cubic feet for Rhode Island, smallest consumer.

In 1953, for residential purposes, California used 224,000,000,000 cubic feet; Wisconsin, 22,000,000,000, and Rhode Island, 482,000,000.

Whatever may be said by the layman for or against federal regulation of producer prices, the Oklahoma Development Council, in a recently published brochure, has this to say:

"A new situation is diverting billions of cubic feet of unsold natural gas from prospective interstate markets and making it available for use only within Oklahoma.

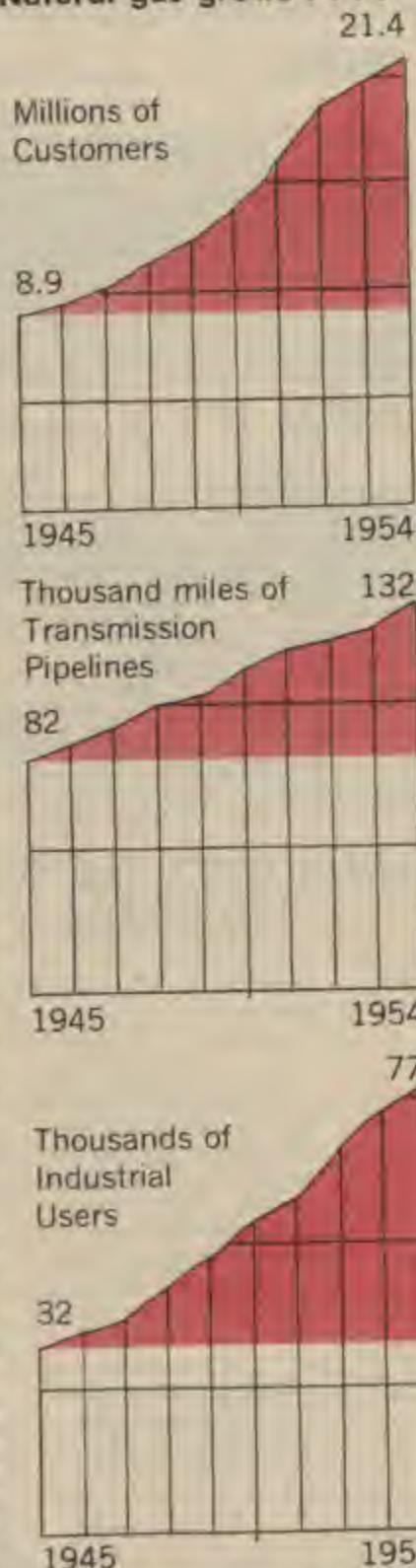
"Formerly, there were plans to sell much of these huge, uncommitted underground supplies of gas for use outside the state. But, because of the imposition of federal regulation over gas produced for interstate sales, producers are abandoning this market in making new contracts for gas sales. They now plan to hold this gas for use within the state."

Whether this attitude will become typical of other producing states—or whether it will remain firm even in Oklahoma—remains to be seen.

In the words of Justice Douglas: "The battle should be won in Congress, not here."

END

Natural gas grows



Charts show how natural gas industry has surged ahead in past decade—in number of customers served, miles of transmission pipeline and in industrial uses

You're Losing \$86,600,000 a Week

(Continued from page 33)

the budget because it said experience had indicated that the military estimates were always on the high side. But Administration officials admit the Army, Navy and Air Force are not bound by the lower figure and may exceed it.

The budget allowance for the Post Office Department anticipates a \$400,000,000 a year increase in postal rates from Congress. But Congress has given no indication of approving anything like that. This means that the appropriations for the Post Office Department will have to be larger. Government pay raises, school and highway construction, farm price supports and other items seem likely to cost more than the budget message allowed.

Revenue estimates for the 1956 fiscal year also throw doubt on the validity of the projected deficit. These estimates are based on highly optimistic appraisals of the business situation—and some of these appraisals have already been proven wrong. The Treasury based its estimate of likely corporate income tax collections on a level of \$36,000,000,000 of corporate profits in 1954 and \$38,500,000,000 in 1955. Latest figures from the Council of Economic Advisers indicate that corporate profits actually averaged only about \$35,000,000,000 in 1954. The Treasury is basing its other revenue estimates on an admittedly optimistic four per cent increase in personal income levels during 1955 and another four per cent increase in the first half of 1956.

What's more, the revenue estimates are based on present tax rates—with no provision for another tax cut before July 1, 1956. Strong drives for earlier tax cuts are under way.

In a press conference late in February, the President declared that he "would not say that the budget has to be in perfect balance before you can contemplate sincerely another tax cut." In his Economic Message earlier in the year, the President promised that: "Further efforts to reduce federal expenditures, together with increasing revenues from a tax base growing as the economy expands, should make possible some additional general tax reductions next year. Progress could then also be made in further lowering tax barriers to the free flow of funds into risk-taking and job-creating investments."

The President's words indicate another significant shift in Administration fiscal thinking. Treasury offi-

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YOU'RE LOSING

continued

cials are now discussing in kindly terms the New Deal thesis that an expanding economy is the answer to an unbalanced budget.

This theory holds that, even without reduced spending, the budget will eventually be balanced and the debt reduced through increased revenues from a busier economy. With such economic expansion, the theory goes, present high spending and debt levels are much less worrisome than they appear.

Certainly it is true that the spending cuts of the early years of the Eisenhower Administration are tapering off. Next year's estimate of \$62,400,000,000 of federal spending is only \$1,100,000,000 less than the estimate for this year. The cost of farm price support operations is expected to drop by \$1,000,000,000. Another \$400,000,000 cut is based on the proposed postal rate increase and another \$200,000,000 drop is in expectation that the Tennessee Valley Authority will finance its power expansion through the sale of bonds rather than through direct appropriations. Without these three projected—and by no means certain—cuts, the 1956 budget would be higher than this year's.

Defense spending, according to Pentagon experts, is at rock bottom and no further big cuts can be looked for in the military budget. Budget Bureau officials say they doubt federal payrolls can be cut much more; some agencies are already beginning to show an upturn in employment. Outlays under many existing programs will rise sharply in coming years—for example, the public housing program will cost more as additional projects reach completion and larger federal subsidy payments are required. Pension and compensation payments to veterans, budgeted in the coming year at \$2,800,000,000, will double in the next 30 years. Federal grants to the states are estimated at almost \$3,600,000,000 next year, up \$300,000,000 from this year.

New or expanded spending programs are proposed. Increases being seriously considered for direct federal aid to schools would bring this program up from the present \$200,000,000 a year to anywhere from \$300,000,000 to \$500,000,000. Democratic plans for highway building would more than double the present \$670,000,000 annual federal outlay. The Administration proposes another 35,000 public housing units and a new spending program to aid low-income farm families. Pressure

mounts for new federally aided irrigation and other resource projects.

Economic pump-priming is excusing federal spending in many fields. The government has become largely responsible for the continued stimulation of new housing construction. Government aid for shipbuilding is stepped up to keep shipyards going. The mineral stockpiling program, started as a defense measure, now is continued as a tonic for the mining industry. A group of farm, labor and civic leaders, united in the Conference on Economic Progress, recently urged a \$6,000,000,000 step-up in annual federal spending to insure "balanced economic expansion on all fronts."

The final point on our list of reasons why the published budget picture is deceptive is the most startling. The official debt figures reflect only part of the government's actual commitments.

A quick look at some figures shows why this is. Here are some federal obligations not included in the published debt figure: \$50,000,000,000 of government promises to pay some time in the future under contracts already entered into; \$172,000,000,000 of liability on the lives of veterans, bank deposits and crops; \$31,000,000,000 of government guarantees of private loans; \$1,500,000,000 of government promises to make loans in the future; \$3,100,000,000 of promises to guarantee home mortgages in the future; \$530,000,000 of postal savings bonds, Panama Canal bonds, U. S. notes without gold reserve, and other items; close to \$3,000,000,000 of notes and bonds of other federal agencies; \$29,000,000,000 of Federal Reserve Notes and other obligations issued on the credit of the U. S.; and \$2,500,000,000 still owing as the U. S. share of the capital stock of the International Bank for Reconstruction and Finance.

Of course, there are assets to cover some of these potential liabilities. Against the government's liability under G.I. life insurance or farm crop protection is the income it will receive in the future in premiums on these policies.

"The government's ultimate liabilities are small in actuality," a Treasury official insists. "These totals are remote contingencies rather than real liabilities."

But would the government, for example, foreclose and take over homes or crops or businesses on a large scale if there were a depression? Or, would it just pay off on its guarantee and write the losses off on the Treasury's books? Certainly the latter is more likely.

There are two obvious dangers in

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Inside Red China

(Continued from page 27)

iting by supporting the regime—these are called "the people" as against the "nationals." The former are workers, peasants, petty bourgeoisie, and the larger industrialists, businessmen, bankers, and others who are tolerated in the present transitional period.

The nationals are landlords, or other capitalists and "counter-revolutionaries" who are subject to brainwashing, re-education in labor camps, liquidation.

Does the Communist Party represent a unified block of single minded workers?

The party consists of 75 to 100 top leaders, a broad selected and trained body of lower rank leaders called cadres, and the rank and file membership. The top leaders have felt it imperative to insist upon continuous learning or study campaigns, periodical ideological remolding campaigns, and what is called inner party struggle conducted through many forms of ruthless criticism.

In addition to these came the noted three-anti campaign against corruption, waste, and bureaucratism, which led to actual replacement of tens of thousands of cadres. Taken together these various measures may be referred to as a party rectification and consolidation movement. Obviously the party has its troubles.

How important is the leadership of any individual?

Mao has more influence than any other person in China. However, a small, undefined group is closely associated with him. Eight or ten of these top leaders make up a Politburo.

In 1953, 29, including these Politburo members, had important positions in all three of the chief power institutions of the regime. A wider group of 80 to 90 persons constituted the top leadership at that time. Each held several positions.

Of this larger group, the majority are in their 40's and 50's. The largest number from any one province are those from Hunan, the revolutionary province of central China. None came from Chiang Kai-shek's home province of Chekiang on the east coast. Very few of them came from workers' families.

Of those whose fathers' occupations are known, most are of peasant origin. About half have had at least a high school education. More than half have had contact with foreign countries. The majority have been associated with the party for more than 25 years. The majority are well

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experienced in military affairs. About a fifth of them are propaganda specialists. About two fifths are organization specialists.

Has China's new position of power and influence aroused national pride?

Yes. The success of Chinese soldiers in forcing back United Nations forces in Korea appears to have done more than any other single thing in China to gain support for the communists' programs. The people are proud of a winner.

What is the likelihood that the Red regime will collapse, or that the people will revolt?

No evidence was found of any group with power enough to overthrow the regime in any considerable region.

Is there a possibility of a split within the party?

A study of top leadership since the founding of the People's Republic in 1949 gives no evidence of any faction powerful enough to threaten either Mao's position or his leadership. There have been no sweeping purges like those in Russia.

Dissension and even friction possibly exist among the top leadership, but it is too early to speculate whether it will lead to major splits in the party.

There is a lot of talk by non-communists on the fringe of China about cliques that exist within the leadership. For instance, in terms of international policy, they mention the pro-Soviet clique vs. the native clique. In terms of regional loyalties, they mention the Hunan clique (central Chinese) vs. the Szechuan clique (west Chinese). In spite of such talk, there appears to be no evidence now, with Mao Tse-tung still alive, for regarding these rifts as threatening the unity of the party.

Has there been any widespread discontent?

There has been discontent among the intellectuals although they are a small segment of the total population.

Discontent has also been prevalent among the business groups—shopkeepers, industrial people, traders, and so on—against whom the famous "five-anti" campaign was waged. This campaign was a form of aggressive class war against the bourgeoisie. The communists called it "counter offensive to repel the ferocious attacks on state economic organization by the bourgeoisie." The "five evils" proclaimed by the communists were bribery, tax evasion, fraud, theft of state assets, and leakage of state economic secrets.

The most widespread discontent

has been in the countryside. The main cause has been the so-called agrarian reform. It arose when the larger landlords were dispossessed and their land distributed to the farm laborers and poorest peasants. This was accompanied by severe taxation and the demand for gifts or donations to support various propagandic movements. Peasant resistance to this taxation has appeared throughout the whole country.

How was farm reform carried out?

In three broad phases. The first was the redistribution of the larger land holdings. The second was the launching of mutual aid teams and agricultural producer cooperatives. The third is the establishment of collective farms.

Is collectivization their long-range objective?

Yes. But the communists could not wait for collective farms to increase production, so they have achieved as complete control of production as possible by regulating production and requiring that all crops be sold to the government.

Did reform increase production?

Production dipped in the period when redistribution was going on.

Later the communists claimed an increase.

But this increased production, if true, is probably due more to such things as favorable weather conditions than to reform.

Other contributing factors were relative peace on the countryside, improvements in water conservation,



and reclamation of waste land. Government pressure may have had both positive and negative effects.

Have the transfer of land ownership and the asserted increase in production helped the peasants?

They have contributed nothing to the financial position of the peasants



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for purchasing industrial equipment and modernized army equipment—largely from Russia.

Are the Communist Party and government officials corrupt?

Out of about 1,400 letters to Chinese newspaper editors sampled from files of six Chinese-language newspapers covering June, 1949, to June, 1952, eight and a half per cent dealt with corrupt public employees. This was more than those dealing with "treacherous merchants" or production efficiency, each eight per cent, or "counterrevolutionary elements," five per cent.

Probably the most striking testimony is the widely heralded "three-anti" campaign aimed to expose and to eradicate corruption, waste, and bureaucratism from government organs and public enterprises. This, however, had several purposes, including greater productive efficiency, and the elimination of various persons not wanted any longer, as well as riddance of the untrustworthy. The great attention given to the subject of replacements suggested that this lower level purge was a sizable one. It has been called the biggest purge so far undertaken.

How far is "The People's Republic of China" really democratic?

First of all, note that Mao Tse-tung's other name for it is "The Peoples' Democratic Dictatorship." This dictatorship is nominally over the "non-people" or "nationals." They are the reactionaries such as "the running dogs of imperialism, the landlord class, the bureaucratic nationalists, and their representatives the Kuomintang reactionaries." These, in spite of universal suffrage, are deprived of political rights.

Second, the basic principle of political organization in communist China is the famous "democratic centralism," the principle which in China as in the Soviet Union is carefully calculated and manipulated so as to keep government under the control of the Communist Party's top leadership. This means the dictatorship is over the "people" as well as the "nationals."

What are the People's Courts?

They were intended as a predominantly political weapon. In the name of justice they intensified the class struggle against landlords and others who did not go along with the practices of the communists.

They consist of well-rehearsed accusation meetings and public trials before people's tribunals where, in typical instances, planted cadres shout accusations and in mob atmosphere individuals go up and beat, bite and even kill a so-called defendant before he is convicted.

No case was found where the defendant was acquitted. It is conservative to say that hundreds of thousands of persons have been executed in these courts.

What significant changes have taken place in Chinese society?

Such non-reversible events as the killing of perhaps several million landlords and other resisting bourgeoisie and the destruction of land deeds in many places. Temporarily the army has gained a superior status; and the former intellectuals have lost theirs.

What features of the communist rule are most hated?

There is no definite knowledge—but blood has been spilled on every level of the population and over big and little matters of all sorts and the revolution is only beginning to be implemented.

Do the people know that Russia dominates the regime?

They are constantly told that the Soviet is helping the regime in many ways and she is held up as an ideal.

Are there many Chinese political prisoners?

The actual number was not estimated. But evidence is conclusive that slave labor is a firm and settled policy of the regime.

Is ideology as important to Red China's leaders as to the Kremlin bosses?

Probably more so. Heavy emphasis is put on Marxism-Leninism and Mao's interpretation of it. Twelve classics on Marxism, Leninism and Stalinism are required reading for all cadres. They range from the "Communist Manifesto" by Marx and Engels, and "Socialism, Utopian and Scientific" by Engels to "History of the Communist Party of the Soviet Union."

Indoctrination is emphasized as essential for all leaders. Intellectuals particularly are required to saturate themselves in communist ideology and to abandon all contrary ideological positions. This includes all schoolteachers.

Are the conditions shown in the survey likely to continue?

They are dynamic and changing. The country is in a transition to a genuinely communistic phase which will be introduced only as fast as the communists believe feasible. That goal is not yet discussed or disclosed publicly. One must expect new developments from month to month.

Of what value, then, is this past record?

You cannot understand and evaluate present actions and objectives except in the light of the experience and trends of recent years. **END**



notebook

Poor penmanship costs money

AMERICAN businesses lost more than \$70,000,000 last year because of illegible handwriting.

That estimate is made by Albert G. Frost, president of the newly formed Handwriting Foundation. Mr. Frost, who also is chairman of the board of Esterbrook Pen Company, says his figure is based on preliminary findings of a continuing survey started by the Foundation.

Mr. Frost points out that a Midwest telephone company lost \$50,000 in a single year because its operators couldn't write toll tickets plainly enough for the company to charge the callers. Because of its losses, the firm has had to institute a special training program to teach employees to write more legibly.

Three major reasons are cited for the decline in handwriting quality in recent years:

1. Crowded school schedules have resulted in decreased attention to handwriting studies by teachers.

2. Decreased emphasis on handwriting in business.

3. Decreased attention given to the writing of personal letters.

The Handwriting Foundation was formed in order "to encourage a greater awareness of handwriting by parents, students and the general public and to emphasize the importance of handwriting to businessmen and employees, with particular regard to the relation of legibility to efficiency and economy."

Voices of business:

FLOYD B. ODLUM, president, Atlas Corporation, in talk at Denver, Colo.: "I expect to live to see not only central station atomic power plants on land but also atomic powered planes in the air and atomic powered freight and passenger ships at sea, even though I may not live to see, as an economical means of transport, an atomic powered automobile or an economical atomic dry battery."

R. H. SULLIVAN, vice president of Ford Motor Company, before the Cleveland Society of Professional

Engineers: "Automation is a vital steppingstone to the expansion of our economy. It has the ability to tie production processes together and to enable labor to gain the most from machines. Extensive use of automation should act as a prod to our entire economy in three ways: first, by expanding the capital goods industry to build and maintain automation devices; second, by enabling labor to increase its earning power through higher skills and greater productivity; and third, by reducing over-all costs of production."

Still the bells toll

ALTHOUGH steam locomotives are fast disappearing from the nation's railroads the clang of the steam engine bell lives on.

Pennsylvania Railroad, in an adroit move to build good will, is giving away its old locomotive bells to churches, missions and firehouses along its routes from Chicago, Washington and New York. The Pennsy even shipped one bell to a mission in Okinawa.

The railroad reports that it had about 30,000 clangers cast at its Altoona, Pa., foundry between 1881 and 1941. Weighing 98 pounds and cast in bronze, the bells would cost about \$500 each if made today. As scrap they are worth about \$35. But the railroad has chosen to give the bells away.

New twists:

BELLEVILLE, NEW JERSEY: Walter Kidde & Company reports growing demand for its ultrasonic burglar alarm system. Two elements form basis of system. One transmits ultrasonic sound waves at 19,200 cycles per second while another (invisible) element receives signal. Frequency is too high for human ear to detect. Both elements are connected to master control which continuously compares transmitted signal with signal being received. Alarm is "at rest" as long as frequency remains constant, but if a person enters room, movement of body disturbs frequency, trips alarm. Sensitivity can be controlled so that



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downtown parking field, pushing for a face-lifting job on the courthouse, promoting that spring festival and summer band concerts . . . the list goes on and on. They're working harder than ever this spring in your own community, too. But they can always use a little help. So what do you say? Once you pitch into their activities . . . we'll buy you a new bonnet if you don't become a chamber booster for life.

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entry of patrol dog would not trip alarm yet person would. Similarly, system can detect fire in its infancy—even ruptured water pipe.

CHICAGO: Armour Research Foundation of Illinois Institute of Technology has developed instrument—called “shock tube”—which allows engineers to study effects of blasts without actually exploding a bomb. Here's how it works: combustible gas is fed into one section of 150-foot long tube and is confined by light diaphragm. The diaphragm is shattered when gas ignites, and the released pressure wave travels down tube to test section, where a building model has been placed. Resulting forces on building are measured with electronic equipment. Device was built for Air Force.

WASHINGTON: Plant scientists say Agri-mycin, a spray combination of the antibiotics terramycin and streptomycin, shows an increase in vegetable crop yield of up to 67 per cent over untreated crops. Spray was developed and produced by Charles Pfizer & Company, Inc., Brooklyn, N.Y., has been field tested for three years by U. S. Department of Agriculture. Unlike conventional chemical sprays which provide exterior protection for plants, Agri-mycin is absorbed by plant, does its work from within.

MILWAUKEE: Master Lock Company, in effort to transform traditional drabness of factories, is experimenting with giant wallpaper murals in its plant. First of eight murals to be installed features colorful colonial scene.

Guinea pig houses

THE National Association of Home Builders is planning to build a \$2,-000,000 housing research village at Grand Rapids, Mich., to test the effectiveness of new ideas in housing design, construction and materials.

The uninhabited experimental village will contain 50 completely furnished and equipped homes covering the whole range of current housing prices. The houses themselves will encompass a wide variety of architectural styles, building materials, fixtures and interior furnishings. The decorations and furnishings will be changed each year to keep abreast of the latest trends in home fashion. Periodic replacement of the houses also is planned.

NAHB says the houses will be open the year around for public and industry inspection. The village is expected to attract about 500,000 visitors to Grand Rapids annually.

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A MOANING, previously heard in early March, swells through the land.

It is the lament of 60,000,000 taxpayers computing the government's share of history's second greatest national income. After April 15 will come a great silence as the citizens, freed from the tortures of deadline arithmetic, regain their usual complacency about tax matters; a pleasantly comatose state in which cussing "those spendthrifts in Washington" is an acceptable demonstration of interest in federal finances.

Meanwhile the central government will be spending some \$63,500,000,000 out of a \$305,000,000,000 national income.

That is slightly less than one dollar out of five that everybody has to spend.

To appreciate this proportion, it is helpful to look at 1916, the last year before World War I. That year the federal government spent \$783,739,000. In those days the average citizen still regarded the three-year-

old federal income tax as an amusing fiscal joke on the very rich.

Had affairs continued as they were in 1916, the government would be spending \$6,100,000,000 today.

Affairs did not continue so. Two world wars and a bloody business in Korea have given us a heritage of costs. A hateful power which purposes to enslave us makes military preparedness mandatory. Thus wars, past and threatened, account for 80 per cent of government's present expenditures.

This fact is frequently regarded as a sufficient answer to the citizen whose interest in taxes goes beyond complaint.

There is another answer;

Demand.

Taxes are high because the public wants them that way.

The anguish of income tax time seems to refute that statement. But the lethargy the rest of the year refutes the refutation.

Government did not grow as it has grown since 1916 merely through its own caprice. It grew because, through the years, citizens have demanded that government do for them what they did for themselves or left undone in 1916. Unlike the temporary moaning of tax time, the clamor for services is continuous. Some, true enough, is inspired by politicians who foster public wants so that they may win gratitude by satisfying them; but the greater number of services came about because the people petitioned for them.

As a result, in the two richest years of our history the government has been unable to live within its budget—and outside the budget are other commitments so monstrous and complex as to defy tabulation. What would happen in a mediocre year is an unpleasant study in consequences.

This does not have to be, although the individual is powerless to change it. Groups of individuals can. Many are trying.

It is not rewarding work because, although Budget Bureau documents show logical places to start, every government service has its defenders. They agree that government spends too much—but not on their pet project.

So, little is done.

Little can be done until American citizens unite to put national solvency above special interests.

Twice the people have recognized a grave danger. They united—and won two wars.

If they unite again, in the face of a third great danger—they can balance the budget.

KEEP YOUR EYES ON THE ROAD —
NOT THE ROAD MAP —
AND WE'LL ALL LIVE LONGER!



Let's look at the causes of automobile accidents from a new angle. *What was the driver doing just before the crash?* The answer may surprise you. In a large proportion of cases he was simply careless or inattentive. He was looking at a road map, twiddling with the radio, eating a sandwich, putting something on the back seat, observing the scenery. Look where you are going. You'll be more sure to get there safely.

This advertisement is published in the interest of saving lives.

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You don't have to send a lot of mail to be a postage meter user.

With the low-cost DM, desk model, you do away with lick-and-stick mailing, enjoy the speed and ease of metered mail, and always have the right postage on hand. And most meter users save on postage, too!

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The DM has a moistener for sealing envelopes; even handles parcel post.

Anyone can be a metered mailer and easily learn to use a meter. Just dial the value of postage you want, press the

lever, and your letter is stamped.

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